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# **China**

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# China

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## SOVIET UNION

### New, Positive Soviet Attitude Toward PECC

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[Article by Jia Bei 0502 6296: "Changes in the Soviet Union's Attitude Toward the Pacific Economic Cooperation Conference"]

[Text] In recent years, the attitude of the Soviet Union toward the Pacific Economic Cooperation Conference (PECC) has undergone a clear change. Its former criticism and opposition has turned into affirmation and a request to join. This change has taken place in order to advance the strategy of speeding the development of the socialist economy, and to advance certain strategic and security concerns. The change of the Soviet attitude toward PECC also reflects some changes in the Soviet Union's foreign policy.

PECC is a nongovernmental, policy-coordinating international organization composed of individuals from manufacturing and commerce, government, and academia. Its purpose is to strengthen economic cooperation on the basis of free and open economic exchange, while upholding the spirit of partnership, fairness, and mutual respect, in order to fully bring into play the potential of the Pacific Basin. It decides whether to grant official membership based on the extent to which an applicant nation is involved in the economic activity of the Pacific region. The September 1980 Pacific Community Symposium held in the Australian capital, Canberra, signaled the official establishment of PECC. PECC has now established special subcommittees for trade policy discussion, mining and energy, cooperation, and development in the fishing industry, agricultural policy, trade and development, science and technology, and economic prospects for the Pacific. It has had 15 members since China and Taiwan Province (under the name of China Taipei) were officially admitted into the organization in September 1986. The members include the United States, Japan, China, Canada, Australia, New Zealand, the Philippines, Singapore, Malaysia, Indonesia, Thailand, Brunei, South Korea, China Taipei, and the collective membership of the island nations of the South Pacific. The Soviet Union applied for membership in May 1986.

It is common knowledge that PECC is not the only organization for economic cooperation in the Pacific region, but the USSR has placed particular importance on PECC, and the Soviet attitude toward it has undergone a process of change. It would be of great benefit to our understanding of Soviet foreign policy to explore how the Soviet Union formerly looked upon PECC, what changes of attitude have taken place, why they have taken place, and what adjustments in Soviet foreign policy are reflected by these changes.

### Changes in the Attitudes of the Soviet Union Toward PECC

For a long time, the Soviet Union looked upon PECC from the standpoint of Soviet-U.S. confrontation in the Pacific region and around the world. The USSR has been very wary about proposals by Japan and the United States in the 1960's and 1970's regarding the concept of Pacific economic cooperation. Thus, when Japanese Prime Minister Ohira Masayoshi clearly proposed the "concept of pan-Pacific cooperation" during a visit to Australia and New Zealand in January 1980, the Soviet Union's response was swift. They stated that it was "clearly anti-Soviet in nature" and that it was "a giant plot by Japan and the United States to organize an imperialist bloc in the Pacific region." From that time, the Soviet Union began to severely criticize and assail PECC, and PECC became an important target of Soviet foreign policy objectives in the Asia Pacific region.

From approximately 1980 until late 1985, the Soviet Union linked PECC to "U.S. attempts to draw together its various military alliances in the Pacific" and "organize a military 'Axis' between Washington, Tokyo, and Seoul." The Soviets looked upon it as a serious development, and an extremely important part of an attempt by the United States and Japan to organize an anti-Soviet front similar to NATO whose aim was to force the Soviets to face the hardship of waging war on two fronts. Even though PECC's current name was confirmed in 1983, the Soviets insisted on calling it the "Pacific Community," and regarded it as an "exclusive military and political cabal masquerading under the 'Pacific Community' name." The USSR, on the one hand admitted "the huge economic progress of the Pacific nations," and affirmed that "the objective progress of economic links had provided the United States and Japan with the economic prerequisites for the concept of establishing a 'Pacific Community'". At the same time, they also believed that in the 1980's, with the accession to power of the rightwing U.S. conservatives, represented by Reagan, and Nakasone's assumption of Japan's premiership, the Asian Pacific had become increasingly important to imperialist plans for aggression. They believed that the primary objective of the "Pacific Community" concept had undergone a "substantive change," and that the unification of "political and military issues had been elevated to the position of highest priority." They regarded "the market principle"—PECC's principle when it was first established of only accepting for membership those countries and territories that implemented the market mechanism—as a stratagem of the United States and Japan to establish a regional structure that would cause the countries of the Asian Pacific region to be more reliant on them in terms of economic, political and military policy. They thus viewed it as an attempt to "crowd out" and "isolate" the Soviet Union and other socialist countries. The Soviet Union not only regarded PECC as "a product of the Japan-U.S. alliance," but believed also that Japan was harboring its own particular interests, i.e.—using this opportunity to revive its old dream of a "Greater East

"Asian Co-Prosperity Sphere" and attempting to establish its own sphere of influence in the Asian Pacific region.

Apart from criticizing and assailing PECC, the Soviet Union also distributed pessimistic propaganda about PECC development prospects to escape the trap, toward which they were sliding, of "having to set up defenses in the Far East in the future without help," and to prevent PECC's development. They took pains to play up the reservations of the ASEAN nations, as well as the divergent and conflicting interests between the United States and Japan and between the United States and the ASEAN nations and other developing nations, with respect to economic and trade relationships as well as Pacific economic cooperation. They claimed that the idea of achieving a unified Pacific economy was "extremely immature, and very different" from that of the European Community. On 21 May 1985, not long after Soviet Communist Party General Secretary Gorbachev had taken office, he proposed a "Pan-Asian Conference" that clearly excluded the United States and, organizationally, was in part contraposed to PECC. The proposal did not receive a positive reception from the majority of nations in the Asian Pacific region.

In October 1985, Soviet scholars began to privately explore with Japanese contacts the possibility of the Soviet Union joining PECC. During talks between the Soviets and the United States in early 1986 on Asian issues, the Soviets also brought forward their request to join PECC, but were rejected. In March and April of 1986, the public attitude of the USSR regarding PECC began to undergo clear changes. This change was signaled by a statement on 23 April by the Soviet Government regarding the situation in the Asian Pacific region. The Soviet press declared that this statement "gave a practical and clear delineation of the strategic thrust of the Soviet Union in the Asian Pacific region." The major aspects of the change are discussed below.

First, the Soviets have softened their criticism of PECC, and they have recognized PECC's economic function. Although statements by the Soviet government and other articles continued to link PECC to "the sinister political and military aims" of the United States and Japan, they nevertheless separated the two somewhat, and "unhitched" PECC from the "Pacific Community." They regarded its present state as a relatively early stage in "a series of developmental stages" in the organization by the United States and Japan of an anti-Soviet Pacific Community. TASS published an editorial on 26 March entitled "What is Behind the 'Pacific Concept'?" This editorial stated that the United States was currently planning "to use a more subtly constructed 'Pacific concept' to replace its previous 'Pacific Community' proposal. The crux of this concept is economic issues." I. Kovalenko, the Soviet Communist Party's International Department's Assistant Director in Charge of Asian Affairs, wrote an article entitled "Cooperation, Not Antagonism, Is Needed," in which he stated that "the United States and Japan intend to use their immense military and political power to establish in the Asian

Pacific region a new international body subject to their control. This body will at first be oriented toward economic issues, and later toward military and political issues." He also stated that "the 'Pacific Community' was currently being secretly built into an exclusive economic bloc, to later become a militaristic bloc." (Kovalenko) also began to describe PECC as "a region-wide conference for the study of issues related to the Pacific Community." Declarations by the Soviet government also stated that PECC has not yet, but "may possibly yet become another exclusive regional militaristic bloc."

Second, there has been a change in Soviet counterproposals to PECC. Government statements from the Soviet Union have raised both political and economic measures. In contrast to the "Pan-Asian Conference," the Soviets have now proposed to call a "(First) Conference of Asia Pacific Nations" in which U.S. participation is not clearly allowed or disallowed. This conference would discuss both security and economic issues, and the entire range of measures called for by the Soviets in order to strengthen cooperation between the nations of the Asian Pacific region on matters related to economics, trade, science, technology, culture, and the international movement of personnel, differ in almost no way from PECC's program. They call for the UN's Economic and Social Commission for Asia and the Pacific to study and take charge of the implementation of its proposal. In the Economic and Social Commission for Asia and the Pacific, the Soviet Union and the United States enjoy the same extra-regional member nation status, and a representative of CEMA attends the conference's functions in its capacity as observer. The intention of this proposal by the Soviet Union is clear: To strengthen the input of UN bodies, in which it enjoys the same status as the United States, in order to bring Asia Pacific economic cooperation within its sphere of participation, oversight and influence.

Third, the Soviet Union holds a positive attitude toward participation in Asia Pacific regional economic cooperation. Government statements and other writings all indicate that the USSR "intends to participate in the most active manner in this type of regional, peaceful cooperation, and will use its economic, scientific and technological potential to achieve this goal." More or less during this time period, the Soviet Union established a Coordinating Committee for Research on Asian Pacific Issues composed of government officials, scholars, and "personnel with concrete employment." The duty of this body is, in the words of Kovalenko, to "participate in regional and national organizations, such as international measures connected with the issue of an Asian Pacific economic community."

Further change of the Soviet Union's attitude toward PECC occurred in mid-1986. In May-June, the Soviet Union officially presented its application for admittance to PECC to Canada, which held the chairmanship at that time. On 28 July, during his speech at Vladivostok, Gorbachev for the first time gave a positive appraisal of

PECC. He clearly differentiated between PECC and the so-called "Pacific Community," stating that the concept of a "Pacific Community" had been rejected and that "the concept of Pacific economic cooperation was currently being discussed." He said that the USSR intended to participate actively in this type of cooperation. From then on, the Soviet Union's appraisal of the future prospects of cooperation in the Pacific region changed from negative to positive, and there have even been articles in which it is claimed that there are "greater opportunities for cooperation" between the various nations of the region "than anywhere else." In March, 1988, the Soviet Union established the National Committee for Asia Pacific Economic Cooperation. The chairman was Y. Primakov, a CPSU Central Committee member and director of the Institute for World Economics and International Relations of the USSR Academy of Sciences. Among the four vice chairmen was Rogachev, Ministry of Foreign Affairs vice minister in charge of Asian Pacific affairs. In May 1988, PECC held its sixth plenary session in Osaka, Japan, which Primakov attended as an observer. He expressed congratulations to the conference, and in his speech displayed the more positive attitude of the Soviet Union. He made a self-criticism regarding the Soviet Union's attitude of the past, confessed that they had committed the error of "doctrinairism," and said that they "had held an incorrect view." Apart from repeating the request to join PECC, Primakov stated in his speech that the Soviet Union, in order to participate in international economic activities, was "presently formulating a new attitude," that they needed a new form of cooperation, needed joint investment, were considering establishment of a free economic zone, and might change the ruble into a convertible currency. He also stated that the Soviet Union "intended to operate according to the regulations, traditions, and methods of PECC," that they were "presently planning to participate in the activities of PECC's subcommittees," and that the subcommittees were welcome to hold their meetings in the USSR. Presented with this strong request from the Soviet Union, PECC's Standing Committee carried out a serious study and decided not to consider accepting any new members before the seventh plenary session in 1989. On the basis of its rule that "extra-regional nations and international organizations with an interest in the various subcommittees may participate in their activities," the Soviets were permitted to continue participating in the activities of the subcommittees on mining and energy, the fishing industry, and livestock and feed. Gorbachev reacted to this development in a speech in Krasnoyarsk on 16 September, stating that "we are willing to participate in the activities of this international organization according to any terms that are acceptable to the member countries." Since then, the Soviet Union has again stated that although they cannot now join PECC, they can create the necessary conditions.

In general terms, the attitude of the Soviet Union toward PECC changed from total criticism to an attempt to replace it with other economic cooperation organizations, to approval, and an official request to join.

In terms of time, the change began to take place about the time of the 27th Congress of the CPSU. Therefore, there is reason to believe that Gorbachev's "new thought process" and the new political line set by the 27th Congress enabled the CPSU to recognize more clearly the problems existing in the nation, and the difficulties and needs that they are faced with. They were spurred to make an objective analysis of changes and developments in the outside world, and to search aggressively for a method by which to solve their problems.

The fundamental reason behind the change in the USSR's attitude toward PECC is its strategy to speed up development. The Soviet Union's new leader has publicly admitted that the Soviet socialist economy's development has stagnated and that it lags farther and farther behind that of developed nations. He has confirmed the strategy of speeding up development of the Soviet socialist economy. This strategy accords "highest priority" to Siberia and the Soviet Far East, which possess the great majority of the USSR's petroleum, coal, natural gas, and other energy resources, as well as great amounts of lumber, iron, copper, asbestos, aluminum, and rare metals. The coastal region has rich fishing resources. It has now become a pressing objective of the strategy of speeding up development to develop these resources as quickly as possible and work them more aggressively into the life of the Soviet national economy, in order to solve the increasingly serious shortages of energy and materials. However, because for a long time there have been shortages of funds and technology, as well as the means for processing and storage, these resources have remained untapped. For the lack of the necessities of life and basic services, labor has been difficult to attract. In the 1980's, these problems have been especially pronounced. This has not only caused the rate of development for this region of the USSR to fall behind that of neighboring Asian Pacific nations, it has also caused it to fall behind the level of development in the western Soviet Union. The central leadership of the CPSU as well as the Soviet Government have produced several resolutions to the effect that the coastal and Far Eastern regions must be turned into a highly and broadly developed entity within the national economy. A huge production base for resources and science must be constructed in the Far Eastern region, and this region must be systematically integrated with the nationwide and international division of labor. "The long-term neglect of the use of foreign funds for the development of this region" is now seen as a problem." Not only the most developed industrial nations in the Asian Pacific region (the United States and Japan), with their high technology, but also developing nations of the Asian Pacific with plentiful foreign reserves, such as South Korea, Taiwan, and even China, can assure a supply of commercial goods for the development of the Soviet Far East. Therefore, speeding up development of Siberia and the Soviet Far East has determined that the Soviet Union must follow the "plan to aggressively develop economic cooperation with the nations of the Asian Pacific region."

Economic cooperation among the nations of the Asian Pacific region has caused the USSR to feel an urgent

need to become involved. First, the Soviet Union has seen that economic cooperation between the nations of this region has been beneficial for the economic development and social progress of these countries. In the early 1980's, such developed countries of the Asian Pacific as the United States and Japan achieved a step-by-step rearranging of their industrial structures. Such developing nations and territories as the ASEAN nations, South Korea, and Taiwan also completed, one after another, the readjustment of their industrial structures. A complementary division of labor between the developed and developing nations of the region has begun to form, and foreign trade in the region has achieved unprecedented development. By the mid-1980's, trade between the nations of the region accounted for nearly half their total foreign trade. Their mutual investments have also grown rapidly. Not only have the region's developed nations, the United States and Japan, increased their investment in the developing nations of the region as well as in Australia and New Zealand, investments by South Korea and Taiwan in other nations of the region, as well as investments among the ASEAN nations and between Australia and New Zealand have also increased. Since China began to implement its economic reforms, it has aggressively promoted and constantly perfected its policy of opening up to the outside world (including the nations of the Asian Pacific), attracting foreign investment and advanced technologies, and increasing the international movement of personnel in order to support its efforts at modernization. This type of cooperation between the Asian Pacific nations has not only enabled the United States, a developed nation, to maintain its position as the strongest economic power in the world, and enabled Japan to bolt to the position of the second most powerful nation in the world's economy (and even to dare challenge the United States), it has also enabled some of the region's nations and territories which were originally relatively backward to reap great benefits, and consistently maintain in recent years a rate of development higher than that of any other region in the world. These nations have, one after another, entered the postindustrial society and have, in so doing, produced the phenomenon of "the four Asian tigers." The modern international transportation facilities, advanced organizations for foreign economic relations, and financial centers of the Asian Pacific region have created the objective conditions for cooperation. In contrast, the economic links of the Soviet Union are quite feeble. The majority of the Asian Pacific nations carry on between 50 and 80 percent of their total foreign trade with other nations in the region. Only 8 percent of all foreign trade by the Soviet Union, by comparison, is carried out in this region. In the eighties, the Soviet Union's exports to the developed and developing nations of this region have not actually increased and its imports have even decreased. Feeble foreign economic links are one reason for the backwardness of the entire Soviet Union, and especially of Siberia and the Soviet Far East. From the success of the economic cooperation between the Asian

Pacific nations the USSR has gained a stronger appreciation for the importance of foreign economic links to national development.

Second, PECC itself is developing. The USSR originally hoped that differences and diverging interests between its member nations would cause PECC, promoted and led by the United States and Japan, to become in the end nothing more than a "myth." However, PECC's development forced the Soviet Union to take a serious look at this "thing that has taken definitive shape," and perceive an urgent need to join. The guiding philosophy behind Asian Pacific economic cooperation has received a high degree of attention from the Asian Pacific nations (including some Latin American nations on the east coast of the Pacific). Through various types of spirited discussions that have taken place at different levels and in different forms, U.S. views on some fundamental issues have gradually gained general acceptance, while some difficult questions have been temporarily set aside, and concrete cooperation has been taken up, especially as regards discussion of specialized subjects. It was decided at the Bangkok conference in June 1982 to establish subcommittees on the following four specialized issues: trade in finished goods, trade in agricultural products, trade in minerals, and investment and technology transfer. Since then, the number of subcommittees has continuously increased, and they now deal with every aspect of the economic life of the Asian Pacific nations and of cooperation between the region's nations and territories. The Soviet Union cannot but recognize that Asian Pacific cooperation "is no longer confined to discussion, but is now beginning to be implemented at every level, as the facts reflect." Its existence and development does not pivot upon the approval or disapproval of any individual nation. The Soviet Union's political influence, economic strength, and its feeble economic links to the Asian Pacific nations are such that they do not have the capability of preventing the development of this type of cooperation. However, they are not willing to be "left out in the cold."

Third, the Soviet Union fears losing out on a share of the benefits in the Asian Pacific. The abundant resources of the Asian Pacific region strengthen the foundation for cooperation between the countries there. There are rich reserves of minerals, energy, forestry, and fishery resources. Proven reserves of bituminous coal account for approximately half the world's reserves; petroleum and natural gas for a third; uranium for more than half; tin approximately 90 percent. The region's natural rubber production accounts for 85 percent of the world's output. There also other nonferrous metals of high purity. In the long-term, a greater proportion of cooperation will take place in the development of such ocean bottom resources as mercury, zirconium, ilmenite, magnetite, and monazite, and in the exploitation of migratory animals. The USSR fears that the interests of those nations not in PECC will suffer and, therefore, repeatedly emphasizes that it is an Asian Pacific nation with every reason to protect and possess these resources.

The Soviet Union believes that the possibility of its joining PECC exists. First, they believe that imbalances in the development of different PECC member nations, historical and political factors, and social and cultural differences all create conflicts within PECC. The United States and Japan each have their own reasons for participating in Pacific economic cooperation and there are serious differences of opinion between them. The ASEAN nations and other developing nations are developing a stronger sense of where their individual interests lie. They are wary that U.S. and Japanese control and exploitation could cause them economic and political damage. These factors increase the difficulty of the organization in the Asian Pacific region of relatively close economic cooperation such as the European Community, and decrease the likelihood that such cooperation would lead to the coalescence of political and military operations. The considerations of the various Asian Pacific nations regarding their economic and political interests, and different views concerning the entrance of the superpowers into their regional affairs, has led them to different views concerning the admission of the Soviet Union to PECC. Second, competition in the economic sector is becoming more intense. Competition in the area of high technology between the United States and Japan; the efforts by the developing countries and territories of the Asian Pacific to catch up with the United States and Japan in such strategic industries as steel, petrochemicals, shipbuilding, automobiles, large machinery, and electronics; and the scramble among developing countries for foreign investment, are all causing increased trade friction between Asian Pacific nations, and the struggle between protectionism and antiprotectionism is becoming more intense. These factors cannot fail to affect cooperation within PECC. The demand for new markets and raw materials have increased the interest of some PECC member nations in strengthening economic links to the USSR. Third, the Soviet Union believes that the abundant material resources of Siberia and the Soviet Far East, and the fact that they can provide many countries with needed petroleum condensation devices, automobiles, machine tools, and steel products, "have created the physical conditions" for the Soviet Union's participation in the region's economic cooperation.

Strategic and security considerations are the fundamental reasons for the Soviet Union's change in attitude. When the USSR criticized PECC, it was acting primarily on the basis of security and strategic considerations. Their later change of attitude was also based on the same important factors. As a Soviet article put it, the Soviet Union's development of economic links in the direction of the Asian Pacific is being pursued primarily to meet the needs of economic and social development, and external economic links are being formed under the influence of political requirements. There are two main strategic and security considerations that influenced the Soviet Union to change its attitude toward PECC. The first is the Soviets' analysis of the Asian Pacific region's current state of development, future trends, and its

position in international life. The Soviet Union believes that the Asian Pacific region is one of the most vibrant in the world, and that it has immense potential for development. The 27th CPSU Congress declared that this region will "become a world economic and political center." Faced with a vigorously developing Asian Pacific economy and the coming of a multipolar world, the task of preserving its status as a first-rate power and its influence in regional affairs has become a pressing one for the USSR. They believe that their feeble economic links to the Asian Pacific "have, in effect, caused them to split off from the region," and that "their position in the region will depend ultimately on their achievement of the aforementioned task." The second consideration is the Soviets' assessment of how Soviet and U.S. power match up in the Asian Pacific region. Some Soviet analyses indicate that the Soviet Union believes its disadvantageous position in its Asian Pacific standoff with the United States is evidenced by the fact that the United States is able to utilize its influence and economic power to attempt to organize the medium- and small-sized nations in the region into an anti-Soviet body responsive to itself, and that the United States can "dangle economic aid and cooperation as bait, and use the objective progress of worldwide economic internationalization, and coalescence into a single economic body, to promote and strengthen its plan to establish a military bloc and sign 'mutual defense treaties.'" The Soviet Union, on the other hand, can act only as a "lone horseman" in matters of defense. In this area, the USSR lacks a united deterrent force such as the Warsaw Pact, and also lacks a mechanism for dialogue such as the European Security Council. Therefore, although the Soviets have ceased to link PECC to a "Pacific Community," and have retracted the epithet of "military and political bloc," they still have not dropped their wariness regarding the future direction of PECC development. After the Soviet Union officially applied for admittance to PECC and Gorbachev had expressed a positive view of it, an article still assailed the "concept of a Pacific Community." In order to prevent "a tense situation in the Asian Pacific region" from developing, the Soviet Union has taken a series of political moves, such as calling for a "Pan-Asian Conference" and a "(?First) Conference of Asian Pacific Nations," in order to establish a collective security organization. However, because they occupy four northern Japanese islands, invaded Afghanistan, and supported Vietnam's invasion of Cambodia, these political moves bore no results. Under these conditions, joining PECC is motivated not only by economic requirements, but also by security and strategic considerations.

#### **Adjustment of Soviet Foreign Policy**

The Soviet change of attitude toward PECC reflects obliquely some adjustments in their foreign policy.

First, it has embodied the more aggressive and flexible style of Soviet foreign policy since Gorbachev became general secretary. With each successive change, the attitude of the Soviet Union toward PECC has become more

aggressive, and has come more in step with the international and domestic strategic requirements of the USSR. The Soviet Union's changed attitude toward PECC also reflects the fact that the foreign policy of the current leadership is still undergoing a process of adjustment based on changes in objective conditions.

Second, it indicates that the Soviet Union is beginning to pay greater attention to economic issues and place more importance on the use of economic tactics in world affairs. From the time that the Soviet regime was established, security issues, the promotion of worldwide revolution, and the expansion of Soviet influence have always been the primary consideration for Soviet leaders. The primary methods used to achieve these objectives have been to expand military power and to utilize political maneuvers. When Gorbachev called for a "Pan-Asian Conference" not long after becoming general secretary, he - as to a certain extent acting in a traditionally Soviet manner. Changes have already begun to take place, as is demonstrated by the Soviet Union's change of attitude toward PECC, and the change of Soviet attitude at almost the same time toward other international economic organizations and organs (i.e., its application for admittance to the World Bank and GATT; its call for the establishment of links between the European Community and CEMA; its acceptance of the Asian Development Bank's invitation to attend its annual meeting as an observer, despite the fact that these invitations have been rejected in the 20 years since the bank was founded in 1966; its softening attitude toward organs "whose leadership is temporarily occupied by imperialist nations," such as the Institute for Economic Development Planning and the Asian Industrial Development Council, evidenced by statements that they "have played an important role in the revitalization of the economies of the Asian Pacific nations"). One change is that the current Soviet leaders have learned from the past and are gradually rejecting some doctrinaire thought patterns. The long-term Soviet-U.S. arms race, especially the Soviet expansionism of the 1970's, exacerbated international tension, added to the Soviet Union's sense of insecurity, worsened its economic relations with capitalist countries, damaged its international reputation, and hindered the development of its own socialist economy. The Soviet Union's new leaders now recognize that the ways of the past are not acceptable. A second change is that the Soviet leadership is adapting its policies to conditions. Lenin paid close attention to economic links between the nations of the world. Brezhnev had begun to take note of the trend toward coalescence of the world's economy into a single body and called for the strengthening of international cooperation. Gorbachev then further realized that in the 1980's development issues have become a major concern of all nations; international economic links, mutual dependence, and the worldwide trend toward coalescence into a single economic body are growing stronger by the day; international economic links are becoming closer and closer; economic links "are now a factor determining the basic nature of political relationships;" and the influence

of economic activities on international politics is more and more important. Therefore, the Soviet Union decided to "base its foreign policy on this foundation." A third change is that the USSR has adopted a different style of struggle. On the one hand, the Soviet Union recognizes the fact that the world economy's coalescence into a single body is an inevitable trend. On the other hand, the Soviets believe that this objective process is now being utilized by imperialist nations to promote new tactics connected with "bloc politics" and "the policy of containment". A Soviet Foreign Ministry's former Deputy Minister in Charge of Asian Pacific Affairs in the Soviet Foreign Ministry once stated that, "in this regard, the new economic and technical blocs presently being planned are no better than the earlier political-military blocs." For this reason, the Soviet Union believes that it is necessary to actively seek strengthened bilateral and multilateral relations with the capitalist world, and to "encourage and consciously cultivate the process of general coalescence" (a process of coalescence which includes the USSR), in order to prevent the success of the imperialist scheme.

Third, the Soviet Union's changed attitude toward PECC reflects an adjustment of its international strategy, which is to shift from seeking a "balance of power," to seeking a "balance of interests" based on the preservation of a balance of military power at a low level. For a long time, the USSR has fought to achieve a status equivalent to that of the United States around the world, including in the Asian Pacific region, by building up military power equal to that of the United States. In reality, the Soviet Union's foreign policy is strongly exclusive in nature. It seeks to "cut off imperialist links with other parts of the world," eliminate imperialist influence in developing countries, and force the United States to withdraw its military presence in other parts of the world. The negative results and impracticality of this policy need not be belabored. Learning from its predecessors, the 27th CPSU Congress proposed the new policy of a "balance of interests." At first, it was used only to explain that in the arms race "the Soviet Union would not seek greater security, nor permit less security." During his Vladivostok speech in July 1986, Gorbachev recognized U.S. interests in the Asian Pacific region for the first time. He stated that "the United States is a major power in the Pacific Ocean. We realize this point very clearly. Without a doubt, the United States has important economic and political interests in the region. Undoubtedly, without the United States, without their participation, the issues of Asian Pacific regional security and cooperation cannot be resolved to the satisfaction of all parties." From this time, the "balance of interests" has often been discussed by the Soviet Union as a principle by which to solve regional conflicts. In the book *Reform and the New Thought Process*, Gorbachev again admitted the inevitability and, to a certain extent, rationality of the existence of current international relations. He stated that "we do not intend to destroy those various economic interests whose formation is already an historic fact," and that "to sever the

links of imperialism to other parts of the world is the last thing we intend to do." However, he expressed at the same time a hope that "all people would enjoy equality, cooperation, and security." Its request to join PECC is precisely one step in the Soviet Union's pursuit of its "balance of interests" policy. It is apparent that, in comparison with the pursuit of a "balance of power," the pursuit of a "balance of interests" is more practical and, by all appearances, more easily accepted. The significance of the "balance of interests" concept to Soviet foreign policy is clear—the Soviet Union hopes to obtain the recognition and guarantee of its own interests by recognizing the interests of other nations.

In short, domestic and international necessities prompted the Soviet Union to change its attitude toward PECC, and this change in turn reflects certain changes in Soviet foreign policy.

Of course, the Soviet Union's treatment of its relations with PECC is only one facet of its Asian Pacific strategy, but it is a very important part. On the one hand, the Soviet Union hopes to aid in strengthening its own nation through joining PECC, participating aggressively in Asian Pacific regional economic cooperation, and easing tensions. They hope this will allow them at the same time to gain concrete benefits in the Asian Pacific region. On the other hand, they also hope by joining PECC to break out of their isolation, take part in the political and economic development in the Asia Pacific.

preserve their influence, and maintain their parity with the United States. In this sense, therefore, the fundamental fact of U.S.-Soviet rivalry has not undergone any substantive change. With respect to the question of joining PECC, the USSR believes that serious economic friction between the United States and Japan, and diverging interests between the United States, Japan, and the developing countries in PECC, will provide them with an opportunity. However, the fundamentals of U.S. and Japanese foreign policy are the same. The economic interdependence of the developed and developing countries of the Asian Pacific region dictate that they must operate by consensus. Historical factors have meant that the reservations of some developing countries concerning the Soviet Union have not been put to rest in spite of Gorbachev's "new thought process." They worry that the Soviet Union's entrance into PECC could inject politics into the region's economic cooperation. The entrance of the Soviet Union into PECC would present the problem of how to resolve Japan's demand for the return of the four northern islands, as well as how the Soviets would further readjust its economic mechanism. The situation in the Asian Pacific region is very complex. Its development issues are clearly tied up with security and strategic concerns. It appears that the achievement by the Soviet Union of member nation status in PECC is still no easy matter, but they will surely not give up in their efforts.

### Observations on Supervisory Function of People's Congresses

40050593 Beijing FAZHIRIBAO in Chinese  
26 Jun 89 p3

[Article by Luo Jingyi 5012 2529 0001]

[Text] The number of supervisory functions of people's congresses and their standing committees are increasing as party and political functions are divided. It is difficult to appropriately adapt to the new situation because of certain systemic imperfections of the people's congresses and their standing committees. This brings us to make a number of observations.

**Observation one:** The procedures for state organs to carry out supervisory functions are legally and systematically imperfect. There are major fundamental laws for the people's congresses to abide by, but procedural laws and systems for carrying out their supervisory functions are still incomplete. For example, the Standing Committee of the National People's Congress [NPC] is empowered by the constitution to supervise its implementation. But there are no corresponding laws by which to concretely determine what constitutes a constitutional violation, how such violations are to be investigated and handled, or what specialized organs are responsible. As another example, the constitution and laws stipulate that local and national organs shall discuss and determine various important matters related to their own political spheres of influence, and they shall supervise the powers of office of their own people's governments, people's courts, and people's inspection organs, yet there are still some difficulties in carrying out these functions because of a lack of procedural law. Other outstanding issues include how to actually carry out the right of addressing inquiries, whether it is the same for localities as for the NPC, restrictions on replies to inquiries addressed, what to do when representatives are dissatisfied with replies, the next step to take in legal procedure, and, when issues can be submitted to the full Congress for deliberation, what action should be taken to seek legal responsibility when the Congress feels that certain methods of political departments are unsuitable, whether inquiries have to be resolved by vote in order to show the legal effect of addressing inquiries, and so on.

Thus it would appear that we should perfect the following work systems and procedures: the rules of procedure in sessions of people's congresses, standing committees of people's congresses, chaired meetings of the same, and special sessions of the people's congresses standing committees; systems for local people's congresses to liaison with party committees, people's governments, people's courts, and people's inspection organs at the same level, and work procedures for liaison with their own level of NPC delegates; stipulate procedures for discussing and determining local regulations on important matters in their own administrative districts; procedures for appointing and removing personnel, examining and approving state economic and social development plans for their own administrative districts, procedures for budgeting, and so on.

**Observation two:** The legal position of state organs is not valued as it should be and supervisory functions cannot be fully brought into play. Various corrupt practices of the overly centralized political system have affected the long-term ossified economic system, resulting in a mix up of the functions of party committees, people's congresses, the government, the courts, and inspection organs. Relations among these groups are poor. This has caused the legal position of state organs to be undervalued and has hampered full utilization of supervisory functions.

The party's leadership in state affairs is mainly manifested through state organs, and first of all through their work. Therefore, when dividing the party and the government, we should first clarify the functions of and improve relations between party and state organizations. Only in this way can we fully utilize the supervisory function of state organs. Their legal basis will then be able to obtain its due respect.

**Observation three:** Considered overall, the quality of local delegates to people's congresses and the personnel comprising their standing committees is poor. They play weak roles as participants in government and debates, thereby weakening the supervisory functions of people's congresses and their standing committees.

When delegates to people's congresses are chosen in some areas, they unilaterally emphasize a delegate's degree of breadth, representation, and state of advancement, rigidly stipulating a candidate's proportionate makeup in these terms. This results in less than ideal overall and individual quality of people's congress delegates.

People's congress standing committees are state as well as work organs. Those who comprise them should be of fine political calibre, educational background, abilities and strongly democratic. The standing committees as a whole should have experts in politics, economics, science, education, law, and other areas. At the same time, delegates should gradually become specialized as is demanded in order to further strengthen socialist constitutional supervision.

**Observation four:** The supervisory functions of local people's congresses and their standing committees at the county level or above are still not carried out as effectively overall as is granted by the constitution and law.

Although some powers of office are carried out, this is done with unclear effect. When a local people's congress and its standing committee make resolutions or decisions, some are implemented but others are not implemented very well. In other cases elections, appointments and dismissals of local people's congresses and their standing committees to a certain degree are only formalities.

Other powers of office are only partially enacted. For example, in carrying out their supervisory function, local people's congresses and their standing committees often choose only to hear work reports, offer suggestions, criticism, and opinions. They carry out their powers of office poorly by avoiding responsibility and shirking

their powers to address inquiries and form groups to examine a particular issue. As for how to supervise their own level of people's courts and people's inspection organs, it could be said that in many places they have yet to make a start.

We lack regular supervision of plans and budgets. In the process of planning and budgeting, some local people's governments act on their own initiative to make changes rather than making decisions through the standing committees of their own people's congresses. Supervision of people's congresses and their standing committees in these localities is weak, as is handling of them.

Thus, while enhancing legislative and legal supervision, local people's congresses and their standing committees must also pay attention to implementing in an overall effective way all other functions granted to them by law. As the political system is reformed and develops at a deeper level, the supervisory work function of local people's congresses and their standing committees will become increasingly important. This means that their powers of office must be improved further to meet with the needs of reforming the political system.

**Observation five:** We must arrange for examinations of specific issues. Article 26 was added to the second revision of the 6th Plenary Session of the 18th NPC Central Committee in December 1988. The article stipulates "Local people's congresses and their standing committees at the county level or above may organize examination committees regarding specific issues." The work of local state organs' examination committees on specific issues is protected by law. This work is an important means for the standing committees of people's congresses to carry out legal supervision. Yet, it is difficult to do such supervision because the law still does not provide for what constitutes a "specific issue." The law provides neither for whether supervision is one of the activities of specialized committees established by people's congresses nor for what area "specific issue examination committees" oversee. The author feels that as part of their work on specific issues, people's congresses and their standing committees must look into certain specific serious unconstitutional and illegal incidents, serious neglect or dereliction of duty on the part of workers in state organs, and issues particularly stirring to the masses. It appears that we should grant supervisory functions to specialized committees in order to strengthen the legal supervision of people's congresses and their standing committees over relevant state organs.

**Observation six:** Standards for recalling and withdrawing personnel from posts are not clear enough. In general, they are limited to those personnel who seriously and illegally create turmoil. Supervision is seldom used for those personnel who cause major losses to the state due to bureaucratism. This is a weak link in the present use of supervision. It would appear that we should concretely and clearly stipulate standards for recalling and withdrawing personnel from their posts.

### Analysis of 'Crisis' in Journalism

40030603 Beijing XINHUA WENZHAI JICHINA DIGEST in Chinese No 5, 25 May 89 pp 160-162

[Article by Ling Zhijun 0407 1807 6511: "The Difficulties of Journalists Part of Broader Social Malaise"]

[Text] 1. The coverage of the 7th NPC [National People's Congress] and a meeting of the 7th CPPCC [Chinese People's Political Consultative Conference] about a year ago created quite a stir in the journalistic community. People were amazed at what the press was capable of pulling off. Judging by articles written by reporters who covered the two meetings, it seemed that there was a ray of hope for press reform. While all this was going on, a colleague said to me, "When the brouhaha dies down, things will be back to square one." At the time, I thought his prediction was a tad too cynical. Press reform might be limping along, but at least there had been progress, however slow. However, the situation today bears out his words. As their euphoria died down, journalists have discovered that far from entering a brave new world, they are actually caught in a predicament, the worst they have been in a decade.

After years of effort to drum up support, Chinese newspapers finally raised their prices—and ushered in a shocking disaster. On New Year's Day 1989, tens of thousands of subscribers bid farewell to their newspapers and the circulation of over a thousand mail-delivered newspapers dropped 33.4 percent overnight. It was indeed a sad day, something apparently long foreseen by editors in chief. At least 2 months earlier, they had launched a "circulation war" aimed at holding circulation steady. Editors and journalists scurried all over the country in an attempt to line up subscribers. On "Buying Newspaper Circulation Day," sponsored by scores of newspapers, journalists resorted to every gimmick—dancing, signing autographs, broadcasting, handing out free copies of newspapers, rebates, lottery, and giving out free contraceptive devices—not to promote press reform, but merely for survival.

Why did tens of thousands of subscribers suddenly abandon their newspapers? The reason cited most often is the substantial jump in newspaper prices. While there is some truth to that, I think it would be naive to blame it all on price increases. Actually, subscriber defections began even before the current round of price increases. By 1988, total national circulation of mail-delivered newspapers had declined significantly from 1985. RENMIN RIBAO, universally recognized as the most authoritative newspaper, sold over 6 million copies a day in the 1970's, but lost subscribers throughout the 1980's. The reader has only so much money in his pocket. If he buys something, he has to cut back elsewhere. "Newspaper is not rice, you cannot eat it," a reader said. "If it goes up in price, all I have to do is stop buying it." What he means is clear. But if editors and journalists can somehow turn a newspaper into something as indispensable as rice, then can he simply "stop buying it"? Thus, it seems that the real question is not whether newspapers

are overpriced, but whether they are worth their price. We are not asking too much of newspapers. In fact, there have been instances in which they have lived up to this demand. A Zhejiang peasant named Chen Yonggen [7115 3057 2704] went to Jiangsu to buy a copy of a local newspaper called *ZHIFU BAO*, paying five times its list price. The only reason he was willing to pay that much for the newspaper was that it gave him the information he needed. Another example occurred in the midst of the current drop in circulation. A friend of mine had subscribed to *XINHUA WENZHAI* for years. After much hesitation, she finally gritted her teeth and renewed her subscription at twice the old rate (43.2 yuan per year.) When she finished reading the first issue of 1989, she was delighted and kept saying, "That is money well spent," which made me think that if all readers thought of their newspapers this way, the question of prices probably would not have become the embarrassment it is today.

Newspaper editors in chief have voiced another worry in private. "Our newspapers are losing their ability to make news," so said the deputy chief editor of a leading newspaper early this year. He noted that the two old trump cards of his own newspaper—commentary and star journalists—are on the decline. The former has become a rare commodity that the readers seldom see. The latter has failed to stir much emotion among the readers. This self-assessment may be ruthless, but it is a fact. A few years ago, peasants pasted copies of *RENMIN RIBAO* on their shoulder poles as good-luck charms. No more. Of course, it is abnormal to treat newspapers like CPC Central Committee documents. On balance, however, peasants sealing the cracks around a window with an unopened newspaper is an even more chilling sight to those in the newspaper business.

## 2. The journalist's predicament, first and foremost, is a universal predicament.

In early 1988, several colleagues and I analyzed the state of the agricultural economy and concluded that after 3 years of stagnation, it had stalled out. A year later today, agriculture is still languishing and the frustration of being bogged down still pervades the entire society. Faced with this situation, journalists are at a loss as to what to do. By virtue of his profession, a journalist should be detached and feel at ease everywhere and under all sorts of circumstances. While it is wrong to say that a journalist craves nationwide chaos more than anything else, it is a fact that he thrives on the occurrence of a variety of events. Chinese journalists, however, find themselves under a peculiar set of circumstances. When things are going well, the journalist has a lot of room to maneuver. When things are going badly, he is under numerous constraints.

The contradictions facing the journalist mirror the widespread contradictions in society today as it tries to reform. The edifice of the market economy being erected remains incomplete and imperfect, too weak to transform the planned economy and dislodge our highly

centralized political and economic systems. Meanwhile, the economy has been booming in an abnormal manner, with the attendant decline in social ethics leading to widespread social discontent. Thus, at a critical juncture, when reform is moving from first skirmishes to intensive fighting, existing contradictions in society worsen suddenly and come to the fore. Without doubt, reform has run into trouble and is beset with difficulties. In the summer of 1988, we resolved to accelerate reform by introducing more extensive changes, reasoning that "brief suffering" is better than "long drawn out suffering." Events took an abrupt turn last fall. The "rectification of the economic environment" and the "restoration of economic order" replaced "acceleration," and "stabilization" replaced "the storming of heavily fortified positions." The turn in events was the most drastic in a decade of reform. Out of it have emerged all sorts of theories. But while theories abound, solutions are few and far between. This gives us some idea of the psychological tug-of-war that goes on in all strata of society today. The confusion experienced by policymakers and workers in the field is self-evident. But even among economic theorists, who are the most active people in the field of social science, there are nervous cries that they have fallen into an "unprecedentedly complex predicament." Reform is said to be at a critical juncture. This is probably the only thing people agree upon at a time when everybody has his own theory about reform. What it means is that reform is at a crossroads. Where is it going to go from here? News reporting, which revolves around reform, inevitably finds itself adrift too.

When you read a newspaper these days, you can feel that journalists are torn even as they write. On the one hand, they praise the surging tide of the commodity economy. On the other hand, they deplore the corrupting effect of money on ethics. They advocate an acceleration of reform, but are also worried about social turmoil. They wax lyrical about efficiency, but also want fairness. They applaud the development of the market, but also warn about market fluctuations. They must be mindful of the reading preferences of their readers, but have to delve deeply into a matter to search for its root causes as well. They have to consider the complexity of social reality, but must also whitewash their own reporting to some extent. The job of a journalist should be to be responsible to the moment; most of what he writes is timely. But when things are happening and changing so fast, it is difficult to be truly accountable. Articles that enjoy instant phenomenal success are even less likely to be accountable to history. Thus, the stronger the journalist's sense of history and sense of responsibility, the more keenly he feels torn.

That reform is now in a predicament is not caused by profound social contradictions, but by the fact that such contradictions are essentially a conflict of interests. Any solution to a contradiction is bound to be supported by some people and resisted stubbornly, if subtly, by others. Thus, any solution may well end up causing a new contradiction even as it resolves an old one. Actually, no

journalist can be considered a loafer as long as he continues in earnest to expose contradictions. But these days we expect our journalists to come up with all sorts of solutions and outline for us a bright future. Inevitably the journalist finds himself engaged in endless Goldbach's conjecture. The day before yesterday, "replacing profits with taxes" was all the rage, so journalists made it sound like an instant cure-all. Yesterday it was the turn of the "contract system." Again, they presented it as an instant cure-all. Today, it is "optimal configuration," and once again journalists tout it as an instant cure-all. What journalists have repeatedly presented as a panacea to all our problems has turned out to be "conjecture." Is it any wonder that we all become frustrated?

But there are even bigger worries. To make news reporting more open is one of the goals of press reform today, but the very existence of the dual system has made it more difficult to tell what is right and what is wrong in economic operations and social life. Let me cite an example. As a measure of price reform, the double-track pricing system has its own *raison d'être*. But it is generally agreed these days that it is one of the root causes of speculation, profiteering, and corruption. To some people, it is the only way to adhere to reform and stabilize the market. To others, however, it causes unnecessary fluctuations in the market. It seems that both groups can marshall solid evidence to support their case. Under these circumstances, journalists find it hard to separate the advantages and disadvantages of the double-track pricing system. Besides, dual pricing to begin with is a product of the compromise between the old and new systems, a compromise that is expanding in scope today, resulting in a complex and confused situation. Reportedly, this situation will continue for a long time to come, which means that journalists will continue to grope for solutions in the muddy waters where the old and new systems intermingle.

Journalists, after all, are mere recorders of reality. When there is no way out in reality, we cannot expect them to transcend reality and map out a new path. This is why their predicament is actually the predicament of the situation as a whole.

3. As we look back on the coverage of the CPPCC and NPC in 1988, we realize that for a brief moment hundreds of journalists demonstrated their skills to the fullest. However, after the curtain fell on this successful experiment in press reform, all the "performers" returned to their "old places" and resumed playing their helpless roles. This phenomenon merits our attention.

It seems that journalists are not incapable of extricating themselves from their predicament. How else do you explain the boldness, assertiveness, and resourcefulness they displayed in covering the CPPCC and NPC meetings? The question is how far the journalistic environment would allow them to go. Under a particular set of circumstances, this environment gives them some room to maneuver, enabling them to put their talents to use. But

once the circumstances change, any creative achievements will become just some stirring memories.

The journalist's predicament has something to do with the predicament of the "journalistic circle."

The journalistic community boasts a corps of 100,000 journalists today. Many friends in theoretical and literary circles look down on them. This is not too surprising when we recall the ancient Chinese tradition of sectarianism. What is extraordinary is the inferiority complex that pervades the "journalistic circle." Since it is human nature to be creative, and since there are no creative outlets in their own field, journalists have been looking elsewhere for a way out. In the 1970's, passion was admired, so they sought out writers. In the 1980's, thought was all the rage, so they sought out theoreticians. As they shifted from the literary to the philosophical, the question of whether journalists had their own position became lost in the shuffle. The surprising thing is that writers in recent years have been trespassing openly onto the turf of the journalist. In 1988, over 100 literary periodicals jointly solicited reportage on the theme "Trends in China." Judging from the works already published, most of them dealt with topics like official profiteering, housing, divorce, traffic, cars, going abroad, and unemployment. They are more journalistic than literary. To a considerable extent, the field of journalism is being thrown open to writers and is coming to the rescue of literary periodicals. What is amazing is that not only do beleaguered journalists watch helplessly as their turf is being invaded by writers, but they are actually scrambling to offer journalistic materials to the writers as the fruit of literature. A journalist friend of mine has written countless journalistic works without much of response. Recently, however, he published a report on "official profiteers" and caused a sensation. I asked him why he was branching out. He said, "Very simple. I have been struggling in journalism for a long time, with nothing to show for my effort. So I am now looking elsewhere." This convinced me that there is something seriously wrong with our "journalistic circle." Otherwise, why are we bemoaning the loss of our ability to command attention and the loss of our readers even as we give away the very stuff that would make a difference and attract readers?

To say this is not to suggest that we journalists do not write about things that concern our readers at all. However, the message often gets distorted once it appears in black and white. Two months ago RENMIN RIBAO ran an article on prices in the "Hot Topics" column. Technically speaking, the article is beyond reproach. The problem is that it is nothing but a lecture by some statistics department bureaucrat telling the common people in what way their earlier perceptions of price increases were mistaken and how they could avoid over-estimating the rate of inflation. No doubt the topic is popular, but it comes across as a mix of official jargon and academic theorizing instead of the voice of the man in the street. I heard that several people cursed after reading the article. No wonder.

The following fact testifies to the predicament of the press. In the eyes of readers, there is less and less, not more and more, stuff in the newspapers that is reliable, believable, and strikes a responsive chord among the common people. Newspapers are moving further and further away from their readers. So far, few people seem to see the problem in this light and modify their behavior accordingly. There is still an emphasis on technical improvements and changes in form. For instance, journalists are more concerned to ask themselves whether they should write about news or correspondence, whether they should write long pieces or short pieces, and whether they should be factual or reflective so on and so forth. Certainly, some changes in form can make a newspaper more visually attractive, but in the final analysis the salvation of a newspaper does not lie in form but in content. In other words, we must think of a way to cover news properly as well as write good correspondence, do long as well as short pieces, and be factual as well as reflective in what we write. Otherwise, nobody would read them, whatever the form and layout.

4. The journalist's predicament is a dual environmental crisis. On the one hand, it is not clear in what direction reform, society, and the economy are headed. On the other hand, the "journalistic circle" has yet to offer journalists the greatest degree of liberation and an appropriate way out. In all fairness, crisis is not a bad thing, without crisis, there would be no breakthrough. The biggest problem now is that there is no mechanism in the dual environment that would encourage journalists to rise above their predicament. On the contrary, a force is stealthily at work making people lazy, weak, and opportunistic.

Reports say there is a group of "eaters" in Beijing's "journalistic circle." Their daily duty is to go from restaurant to restaurant, from dining table to dining table, bringing home "souvenirs" and "news" of different grades. Privately, people have been marveling at the easy and wonderful time the eaters are having. As a result, more and more journalists are joining their ranks. In sharp contrast, those who refuse to settle for "transient pleasure" or pretend "business as usual," but instead strive to make a difference, have a much tougher time. Not long ago, a journalist friend of mine reported that some villages in a county fabricated grain output figures. What makes the story so important is that it is not an isolated case of fraud but is closely related to the overall political and economic situation. The journalist worked long and hard to uncover the story and dig up solid evidence, for which he was highly praised by the local peasants. They snapped up the newspapers, eager to be the first to read it. Many bought silk banners with their own money and presented them to the newspaper office as a way of thanking him for his truthful reporting. This is a rare sight in the newspaper business these days. Meanwhile, however, many party and government organs in the county jointly filed a suit against the journalist, accusing him of having committed "five major crimes." The case is still pending. But provided we seek truth from facts and judge the case on the basis of rights and wrongs, I dare say this incident will leave its mark on

the history of Chinese journalism of this decade. Nevertheless, many newspapers which have been trying to make a difference are retreating at this juncture just when we have a rare chance to create a stir. They voice support for the newspaper and journalist in question in private, but few have come out courageously. "Let them do it on their own. We cannot get involved," said the leader of a newspaper to his restless subordinates.

I do not object to social intercourse by journalists. Nor am I opposed to all wining and dining. In fact, there are bound to be some brave pioneers among the numerous "eaters." And I do not mean to persuade all journalists to involve themselves in the newspaper lawsuit. I merely want to point out this phenomenon facing us: Journalists who work hard to rise above their predicament are a voice in the wilderness, while the ranks of "eaters" are growing by the day. What does this portend for the newspaper business?

Journalists will not be able to free themselves from their predicament if they do not solve problems at their root. This is not to suggest that the journalists' personal qualities, including their strengths and weaknesses, do not matter, but personal qualities are not enough to change the environment. And if we do not change the environment, we cannot but be changed by it. In other words, "things will be back to square one after the brouhaha."

#### Open Questions Posed to Students About Recent Turmoil

40050588 Beijing ZHONGGUO JIAOYU BAO in Chinese 15 Jun 89 p 1

[Article by Meng Sheng 1125 4164: "Ten Questions Regarding the Recent Turmoil"]

[Text] The disturbance we are facing has gone on for more than 50 days. In the capital, the activities have escalated into a full-blown counterrevolutionary rebellion. But as the situation calms down, many young people are beginning to do some rethinking. There are several intriguing questions that I want to share with readers.

1. The week of 15-22 April was a week of mourning for Hu Yaobang. Why was Premier Li Peng one of the targets of attack by a handful of people? Someone suggested the need for a "correct" evaluation of Comrade Hu Yaobang. But he never served in the government. When the issue of his resignation came up in early 1987, Comrade Li Peng was but the government's vice premier. He was not even a member of the Standing Committee of the Political Bureau. So why was the matter brought before him? Before 26 April, Premier Li had not addressed the public. None of the complaints about "bureaucrat-proletarians" concerned him personally. Why was he the target of attack at that time?

2. Prior to 19 May, the central authorities' vital secrets, such as the brief meeting of the Standing Committee of

the Political Bureau on 24 April, Comrade Deng Xiaoping's 2<sup>nd</sup> April address, and even the impending curfew in the capital on 20 May, the designation of the enforcement army units, and the routes the army would take, were all known to the illegal student organizations beforehand, and they even blocked the army's movement on the 19th. But after the 19th, the leaking of vital secrets seemed to have stopped, how come?

3. Out of their patriotism, the masses of young students called for an end to corruption. On 17 January 1986 Comrade Deng Xiaoping sharply warned that if society's general mood continues to deteriorate, we will eventually end up in a world run amuck with corruption, theft, and bribery. In recent years, however, corruption has continued to spread. After 1987, for a time, it was suggested that social corruption is "inevitable" in a developing country. Everyone knows that the absolute majority of the leading cadres in government, large companies, and large and misused enterprises are members of the Communist Party, yet there was suggestion of "dilution" of the party tendency issue, saying that the tendency of party members in government and enterprises should be separated from party tendency itself. Was that a correct attitude?

4. The turmoil caused by the student strikes started by a handful of people had more or less died down by 4 May. On 5 May, most college students in the capital had resumed classes. But soon after, the situation flared up again and began to escalate. On 18 May, except for a handful of people, the capital's media circles got out of control under their slogan of "freedom of the press" and lent vigorous momentum to the processions, demonstrations, and hunger strikes, exerting pressure on the party and the government. What caused this turn in the course of events?

5. Prices have been soaring since 1988, and the people are very upset. Everyone knows that the reason for the price increase is that excess demand far exceeds total supply. This is not something that happened just last year. In his conversation with the president of Uganda on 23 March, Comrade Deng Xiaoping said that if improvement and rectification measures had been taken 3 years ago, things would have been much better today. He took responsibility for the consequence. In his government task report this year, Premier Li Peng criticized himself on the government's tasks since 1988. At the National People's Congress, the report was approved by an overwhelming majority vote of support, with only 4 abstentions and 2 objections. How, then, do we assess the errors made in recent years during the economic reform?

6. On 23 March, in accordance with the party's repeated decisions on the importance of spiritual civilization constructions, Comrade Deng Xiaoping said that the biggest mistake made in the last decade is in education, that political ideological work is inadequate, and that education is underdeveloped. He said that this is an even more serious problem than inflation. Subsequently, in response to Chinese and foreign reporters' questions, Premier Li Peng said that this refers mainly to errors in spiritual civilization constructions. Why then was there no mention of the line "political ideological work is inadequate" when the newspaper reported on Comrade Deng Xiaoping's speech? In the context of that speech, that line implied that political ideological work is inadequate in society as a whole. That is a very crucial assessment. What does it suggest by not reporting it?

7. On 16 May, one after another, Chinese leaders met with Gorbachev. Why was there a sudden increase in the number of posters protesting against Deng Xiaoping in the processions in the capital on 17 May?

8. During the unprecedented upheaval in the capital, those who appeared in the name of the "three institutes and one society" (Institute of Restructuring of the Economic System, Institute of Development of the State Council's Rural Development Research Center, Institute for the Study of International Problems of the China International Trust and Investment Corporation, and the Beijing Youth Economics Society) were particularly active. Why? They associated themselves with the illegal organizations of several of Beijing's colleges and universities. They went directly to Tiananmen Square to plan strategies. What indeed does it mean?

9. The illegal Beijing University Students' Autonomous Joint Association not only has the support of some foreign, especially U.S., media but they also broadcast from stations they control inside and outside of the campuses. Furthermore, the University Students' Autonomous Joint Association is very wealthy. They have received a lot of money from certain foreigners and persons in Hong Kong. What does this mean?

10. Upon suffering repeated political defeats, a handful of people ran a risk and incited a counterrevolutionary rebellion in the capital. The state and the people have already paid a high price. Was it really their goal to fight corruption and get rid of the bureaucrats and promote socialist democracy? What really is the essence of this struggle?

I suggest that every university student think over the above 10 questions carefully.

## NATIONAL AFFAIRS, POLICY

## Economists Discuss Market Forces

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[Article by Zhao Renwei 6392 0086 0251, Chen Dongqi 7115 2639 3825, and Wang Zhongmin 3769 1813 3046 of the Institute of Economics under the Chinese Academy of Social Sciences: "The Tendency of Payment in Kind in the Course of Market-Oriented Reform"]

## [Text]I. Raising Questions

Payment in kind was a major feature of the pre-reform economic system in our country. Its basic symptoms are as follows: the circular flow of the economy is manifested through payment in kind in a nonmarket environment, and the allocation system—meaning the administrative or planned rationing in kind—is implemented in both the exchange and distribution fields. the inflow and outflow of goods and materials in every enterprise are decided by government allocation plans; the ration system is generally implemented to satisfy the basic needs of the residents; and money is regarded as "chips for calculation purposes" or as "tools for accounting purposes," thus playing what is called a "passive and inactive role." This type of system is essentially against the market mechanism. In other words, within this type of system, neither the price nor the purchasing power constitutes the basis of choice, and having the purchasing power does not mean having the right to gain resources. Therefore, payment in kind has always played a decisive role within the economic process of this type of system.<sup>1</sup>

Economic reform, which was launched in the late 1970's, started with lashing the aforementioned administrative system of rationing in kind in the fields of theory and policy implementation. This was followed by the adoption of various measures to make market-oriented macroeconomic and microeconomic institutional changes. Despite the fact that people have acquired different kinds of understanding of the goals of reform such as: "there should be a planned commodity economy," and "the market should be regulated and controlled by the state while enterprises should be guided by the market," our reform over the past 10 years has focused on commercializing and monetizing economic activities in a market-oriented way. The reform has been conducted on the premise of assuring macroeconomic control. It is true that after working hard over the past 10 years, we have made important steps in market-oriented reform. The following are some noticeable facts: as far as the principal aspect of the current circular flow of agricultural and sideline products is concerned, it has got onto the market-oriented track; the peasants' behavioral inclination for the natural economy and payment in kind is currently shifting toward a market-oriented direction; and an "elementary" commodity-money relationship is being gradually established among the peasants themselves, between the peasants and the governments, as well as between the rural and urban areas. Although the contractual grain purchasing quota system

and the government monopoly of some agricultural production materials are still far from meeting the requirements of "letting things be decided by the market mechanism," they, as compared with the past, now tend to be more and more regulated and influenced by market prices. Despite the fact that the circulation of industrial products is still conducted through a mixture of rationing and market exchange and that key markets are still seriously underdeveloped, the deadlock created by the system of planned distribution in kind was broken long ago. Therefore, we can see that the main stream and the general course of economic operations are now gradually developing in a market-oriented way.

However, the national economic process in monetizing commodities has not been as successful as people have predicted nor has it been an even and uniform process. In fact, it has been frequently obstructed and inhibited by some opposing forces as well as some antimarket factors, which are what we have called the tendency of payment in kind. Of course, we should not mention in the same breath this kind of payment in kind and the old prevailing tendency of payment in kind that existed within the prereform national economic structure. The present tendency of payment in kind is not a simple repetition of the old comprehensive mandatory plan regarding the allocation of quotas and distribution in kind. In fact, this tendency has to a certain extent created some new "adverse factors" against the market-oriented reform, thus frequently blocking the deepening of reform.

The tendency of payment in kind in economic operations is a phenomenon that should not be neglected in the course of China's market-oriented reform. Analyzing the symptoms, causes, and disadvantages of this phenomenon as well as seeking appropriate ways to deal with it on the basis of this kind of analysis not only constitute an important task for deepening our reform and for quickly establishing a new order in our socialist market economy, but also constitute an important ground for summing up experiences in our reform and for overcoming the disorderly state caused by changes made during reform. Moreover, it is indeed a problem deserving greater attention by economists and reform policy-makers in the course of retrenchment. Based on the result of last year's research on income distribution during the reform period, we intend to do a preliminary analysis of this problem and use it as a way to reflect on 10 years of economic reform. This, hopefully, would evoke people to pay attention to and discuss this problem.

## II. The Tendency of Payment in Kind: Obstructions in the Course of Market Reform

The commonalities of international socialist economic reform movements are to strive to reorganize the operational system for the national economy in accordance with the development of a modern commodity economy and to establish a market operational mechanism that is subject to the government's macro-coordination. However, a basic fact before us is that in nearly all countries that are undergoing reform, especially China, there

coexist two kinds of contradictory conditions. On the one hand, the size of mandatory planning has been gradually reduced;<sup>2</sup> a breakthrough has been made in the economic situation in which planning departments on the basis of the ration system are exclusively in charge of "sharing out human, financial, and material resources as well as projects"; the central government's direct control over human, financial, and material resources has been lessened; and human, financial, and material resources have to a certain extent begun to enter markets in their capacities as commodities, thus initially forming a "market system," which comprises various channels of circulation such as the circulation of labor forces as commodities, capital transaction, and commodity circulation. However, it is true that this "market system" is an elementary and simple one.

On the other hand, our economic exchange has shown a very strong inclination for payment in kind. Individuals, families, groups, and even government organizations have more or less instinctively shown antimarket behavior, sought trading opportunities that evade the binding force on prices, "gained profit" from the activities that violated the market order, and created distribution and "sales" procedures that run counter to the principle of open and free competition.

The actual situation in China over the past few years has shown that this tendency of payment in kind has definitely not been a partial nor local phenomenon, nor has it been accidental. It cannot be equated with what is called "special instance" or "initial phenomenon" in the Western market economy. In fact, it has been seen as an "usual practice" as well as a "common phenomenon." In particular, since the "overheating" of the economy in 1984, the macroeconomic and structural imbalance has seriously worsened, shortages within the economic system have deteriorated, and the inflation rate has risen. Against this kind of economic background, the tendency of payment in kind has been sharpened further.

At present, the economic tendency of payment in kind not only exists in the fields of distribution, production, exchange, and consumption but also exists among families, enterprises, and government organizations. As far as the general orientation of conducting market-oriented reform is concerned, the tendency of payment in kind is an obstructive, inhibitory or even an retrogressive phenomenon in the course of reform. The major symptoms of the tendency of payment in kind may be summarized as follows:

Item	1981	1982	1983	1984	1985	1986	1987
1. Nonagricultural residents' consumption tax	240.9	242.7	252.2	277.3	309.0	329.2	348.2
2. Annual urban living expenditure per capita	456.8	471.0	505.9	559.4	673.2	799.0	884.4
3. Annual urban house rent per capita	6.36	7.08	7.68	7.80	6.48	7.20	7.74
4. Annual urban medical expenditure per capita	2.8	2.9	3.1	3.4	6.2	7.6	8.9
5. (3)/(2) (%)	1.39	1.50	1.52	1.39	0.96	0.90	0.87
6. (4)/(2) (%)	0.60	0.61	0.62	0.60	0.93	0.95	1.00

In the table's first horizontal row: 1952 = 100. The units in the second, third, and fourth horizontal rows are in yuan. Information in the table comes from "Statistical Yearbook of China 1986," published by the State Statistics Publishing House, p 801 and p 807.

#### A. The Resurgence of Ration Cards

The issuance of ration cards was originally a general measure adopted under the old system in China to achieve a balanced distribution of economic goods in short supply. Issuing ration cards was also one of the major tools for distributing family consumer goods. Due to the shortage of consumer goods, this measure was simply aimed at restraining demand. After several years of reform, there was a distinct reduction in the number of ration cards issued to residents in China.<sup>3</sup> However, in recent years, there has been a resurgence of ration cards. In addition to maintaining the system of rationing basic foodstuffs such as grain and edible oil, the system of rationing nonstaple food including eggs, pork, sugar, and vermicelli made from bean starch has been restored; even toilet paper, soap, washing powder, and other goods for everyday consumption have been rationed. Regarding household electrical appliances such as color television sets and refrigerators, there is the supply of the so-called "limited number of coupons" which are not rationed out to all residents. According to a Chinese city's survey of its ordinary households' total volume of consumption, the consumption of rationed foodstuffs accounted for 45-65 percent of their total consumption volume. Of the edible oil, eggs, and pork the ordinary households consumed, 85-95 percent of such foodstuffs were rationed out to them by the city government. The resurgence of ration cards for household consumer goods has marked a further strengthening of the tendency of payment in kind in the economic flow process of consumer goods in China. In this flow process, Chinese consumers have hardly any real quantitative choice of consumer goods and nor do they have much qualitative choice. Here the transactions between buyers (residents) and sellers (enterprises) are not dominated by the rights of consumers, but are primarily dominated by the rights of planners and producers. As ration cards have in fact imposed preconditions on buyers, the buyers or consumers no longer have the right to freely choose the consumer goods they take a liking to.

#### B. A Relative Expansion of Welfare Consumption

After reform, with relatively quick increases in urban and rural family incomes, there have been relatively quick increases in family budgetary expenses. However, of the urban residents' living expenses in recent years, the expenses in some quite important items have either remained stable or even fallen.

The following table indicates Chinese urban residents' living expenditures as well as changes in some of their living expenditure compositions from 1981 to 1987.

Of the expenditures listed in the table, the most noticeable one is the annual urban house rent per capita. The table shows that the proportion of the annual urban house rent per capita in the annual urban living expenditure per capita has shown a downward trend from 1.25 percent in 1983 to 0.87 percent in 1987. These figures are even lower than those under the traditional system such as 2.32 percent in 1957 and 2.61 percent in 1964.<sup>4</sup> This shows that both the welfare component within urban house rent and the tendency of payment in kind have been expanded since reform. The welfare components within expenditures on public transportation, water, and electricity are similar to that of urban house rent. Despite the fact that the proportion of medical expenditure in annual living expenditure has increased year after year, and as the urban residents' medical expenses as listed in the table have been basically covered by the state, medical expenditure has therefore fallen into the category of advanced welfare benefits and rationing in kind. As a result, although the medical expenditure during the 1981-87 period increased by 0.4 percent, such an increase cannot put an end once and for all to the tendency of payment in kind. And if we separate "the staff members and workers of state-owned units" from "urban residents" to examine the medical expenses incurred by such staff members and workers, we can see clearly that the expansion of medical expenses incurred by the staff members and workers is in the nature of welfare-type consumption. This is because the staff members and workers in all state-owned units have so far been allowed to be fully reimbursed for what they have spent on medical expenses.

If we examine expenses incurred by senior cadres in party and government organizations, we can see that their expenses are much more clearly characterized by advanced welfare benefits and nonmonetary services. For example, a senior cadre's annual income of 3,000 yuan is about two times the national average income which was 1,459 yuan in 1987. It is true that there is no great monetary gap between a senior leader's income and an ordinary worker's wages. However, a senior leader is provided with a car, telephone, a commodious house, advanced free medical services, free domestic help, special supplies, gifts, and other material benefits, which perhaps amount to an income exceeding his or her fixed annual income of 3,000 yuan. We are not going to discuss in this article whether the gap between a senior cadre's actual annual income of over 6,000 yuan and an ordinary worker's annual income of 1,459 yuan is an appropriate one. What we are interested in is that this kind of nonmonetary income gives profound indication of the tendency of payment in kind in the income distribution and consumption patterns among senior leaders in China. In addition, this tendency, which cannot be ignored, has actually been strengthened over the past 10 years.

In the past 10 years, although China has not made any substantive progress in reforming the monetary wage system, it has devoted a lot of time and energy to making rules regarding distribution in kind for cadres at all

levels. More concrete and preferential rules have been made in get higher payment in kind. As far as material compensation (including housing, cars, telephone, medical, etc.) for section-level, bureau-level, and department-level cadres, the regulations are more concrete and favorable than before. In this regard, there is also so-called "creation"—cadres who have not been department heads can enjoy department-level compensation, cadres who have not been bureau heads can enjoy bureau-level compensation, etc. Therefore, with monetary wages fixed, people are fighting for higher material compensation. In recent years, there have been many articles in the press condemning "bureaucratic departmental selfishness." Here we should see that the aforementioned expansion of remuneration in kind has been an important material basis for the rampancy of "bureaucratic departmental selfishness." Of course, we shall analyze in the following part of this article, the point that in a certain sense payment in kind and "bureaucratic departmental selfishness" interact with each other as both cause and effect.

#### C. "Institutional" Internal Rationing\*

In the course of the reform for "transferring power and conceding profit to lower levels," it has been quite common for enterprises to hand out commodities to their staff members and workers under all sorts of pretexts. Under the traditional system in the past, consumer goods were basically rationed out by government departments in accordance with various unified standards (such as regional, household, and per capita quotas), and the whole society was regarded as a "big factory" or a "big family." However, the current channel for distributing physical goods on ration is a two-tier one. This means that goods are rationed out by the government as well as "institutions" (such as enterprises and organizations). The following are some of the features of the "institutional" rationing out of goods. First, there is no limit set to the sources of goods that are rationed out. For example, enterprises can not only distribute some of their own products to their staff members and workers but can also purchase for their staff members and workers some products that they cannot produce. Second, there is the common practice of vying with one another in outdoing others in distributing goods to staff members and workers. For example, after distributing a low-priced woolen blanket to each of its staff members and workers, enterprise A hears that enterprise B has distributed a high-grade quartz clock to each of theirs. Enterprise A then decides to distribute in due course either a quartz clock or a more expensive product to each of its staff members and workers. The practice of vying with one another for upgraded goods to be distributed. Third, all units have concocted various pretexts to deal with accounts examinations and auditors. After distributing goods to their staff members and workers, units either do not enter such items into their account books or simply enter them as production costs in their expense accounts. Fourth, there is the common practice of seeking opportunities to distribute goods to

staff members and workers. For example, on New Year's Day or other festivals, enterprises distribute to their staff members and workers, money, goods, or coupons that can be exchanged for commodities at a fixed time and location. In fact, the practice of inventing all kinds of names as pretexts for the "institutional" distribution of goods not only occurs in units restricted by macro controls such as enterprises and low-level organizations, but also occurs in units engaged in exercising macro controls, such as governments at all levels as well as ministries and commissions. According to a survey, the aquatic and meat products distributed by a government wholesale goods and materials department to its staff members and workers on New Year's Day or other festivals were more than enough to satisfy the consumption needs of the families during the festivals. Generally speaking, "institutional" rationing shows a higher degree of payment in kind as compared with government rationing. This is because institutions frequently ration out goods as "gifts," and their staff members and workers do not have to, or seldom pay for such goods.

#### D. Personal Ease and Comfort at Public Expense

Personal ease and comfort at public expense can be regarded as a common free consumption pattern under the past Chinese traditional system, which covered almost every personal consumption field including food, clothing, shelter, and transportation. Since the reform, there have been some changes in this free consumption pattern. For example, with the implementation of the system of taking responsibility for one's surplus or deficits, there has been a strengthening of budgetary restraints on public expenses in subordinate units. However, to those who are entitled to public expense accounts, things remain unchanged; they are still reimbursed by publicly owned collectives for what they have spent on their own personal ease and comfort. As "envoys going on official business" are "legally" allowed to submit their expense accounts to the relevant treasurer's office, they frequently enjoy "free meals, free accommodations, free entertainment, and free trips." To stop them from spending too much public money on their "free meals," it was stipulated that they limit themselves to a "free meal" of "soup and three other courses" or a "free meal" of "soup and four other courses." This stipulation has been to no avail. In fact, their "free meals" are now of higher quality and show an increase in quantity. If they discover that the money they spent on their "free meals" has gone beyond the limit, they simply enter this item as accommodation costs in their expense accounts. This practice of having extravagant personal ease and comfort at public expense inevitably strengthens the tendency of payment in kind. In addition, according to financial stipulations, preferential treatment such as the right to patronize shops with special supplies and specially provided hospitals are reserved for people of special ranks and with special titles only. Even soft berths on trains are reserved at public expense for people of special ranks only. This typical tendency of payment in kind runs counter to

market rules. In this kind of field of payment in high-grade goods, even the ordinary people and low-level personnel with all the money to spend cannot be given such preferential treatment. In addition, in such a field, competition on the basis of equality, freedom to choose, and equal exchange are virtually nonexistent.

#### E. Exchange of Physical Goods

The exchange of physical goods is another feature of the tendency of payment in kind. In the current economic life and particularly in the country's economic field characterized by serious material shortages, the exchange of physical goods in various forms prevails once again. The following are the three prevalent types of exchange of physical goods. Type I: Barter, which can be formulated as  $W-W$ . Examples of barter includes bartering rolled steel for limousin, bartering petrol for color television set, and bartering chemical fertilizer for grain, fish, and meat. Type II: Exchanging coupons for physical goods, which can be formulated as  $N-W$ . Examples of this kind of exchange includes exchanging food coupons for eggs and exchanging color television coupons for other physical goods. Type III: Using one's power to exchange for physical goods, which can be formulated as  $P-W$ . Examples of this kind of exchange includes using public office for doing somebody a favor in exchange for free gifts such as refrigerator, color television set, Renminbi, and even foreign currency. Of the three types, types II and III are apparently not those of normal market exchange as they deviate from the normal circulation of commodities and currencies, which can be formulated as follows:  $W-G-W$ ,  $G-W-G$ , and  $G-G$ . Using  $N$  [coupons] and  $P$  [power] to exchange for  $W$  [physical goods] vividly demonstrates coupon fetishism as well as power fetishism, thus clearly showing the tendency of payment in kind. Economists generally call type I [barter] simple commodity exchange, which exists in primitive commodity economy, modern commodity economy, as well as the semi-developed mixed commodity economy of China. The major differences among them are as follows. The existence of simple commodity exchange in primitive commodity economy is due to the existence of a small market; the existence of simple commodity exchange in modern commodity economy is aimed at reducing exchange costs; and the existence of simple commodity exchange in our semi-developed mixed commodity economy is due to material shortages as well as some institutional factors (which will be discussed in detail in part three of this article). However, all the three economies share the tendency of payment in kind. Of course, the exchange of physical goods in our semi-developed mixed commodity economy is conducted through both the grey and black markets.

#### F. Abnormal Subsidies

It seems impossible to completely eliminate subsidies in the modern economy. Due to a very high degree of welfare in the Chinese economy, the country has got onto the track of shouldering the excessively heavy burden of

abnormal subsidies. The country's subsidies can be generally classified as follows. 1. Production subsidies, which are primarily the government's financial subsidies for enterprises and other production operators. Production subsidies not only include the necessary subsidies for supporting agricultural production as well as new and developing industries but also include subsidies for the large numbers of enterprises in the red that are provided for the purpose of averting social instability caused by bankruptcy or unemployment. 2. Consumption subsidies, which are the invisible government subsidies for urban residents in the fields of low rent, low priced food, free medical service, and free education.<sup>9</sup> 3. Differential Subsidies. In addition to "per capita" state subsidies in the Chinese consumption field, there are also various kinds of special subsidies including monetary ones. A very large proportion of the special subsidies is provided in kind. In the current fields of distribution and consumption in China, government subsidies are distributed in the following order: the amount of subsidies for rural residents is smaller than that for urban residents, the amount of subsidies for people in the private sector is smaller than that for people in the public sector; the amount of subsidies for people of collective enterprises is smaller than that for people of government enterprises, and the amount of subsidies for ordinary people is smaller than that for those who are entitled to special supplies.<sup>10</sup> The various kinds of subsidies mentioned above have blocked up the progress of the monetization of our economy and have also strengthened the tendency of payment in kind. China's subsidies have therefore been outshone by many other countries' in performance.

### III. The Basic Causes of the Tendency of Payment in Kind

#### A. "Bureaucratic Departmental Selfishness" and "Social Consciousness of Power Worship"

The process of building a new socialist market economic order in China for the purpose of allowing every citizen to give full play to his or her wisdom, creativeness, and individual character and allowing all citizens to seek happiness on the basis of equality, has encountered "bureaucratic departmental selfishness" and the "social consciousness of power worship," which directly run counter to market rules and constitute a kind of "fetishism." This "fetishism" is neither commodity "fetishism," money "fetishism," nor capital "fetishism." It is actually "power fetishism." According to Marx's analysis, money fetishism is characterized by the workers being alienated from the commodities they produced through the medium of money. We can say that our current power fetishism is characterized by the workers being alienated from the products they produce as well as money through the medium of official power. With money fetishism, people are driven by money and are influenced by the economic concept that "money means everything." With "power fetishism," people are driven by power (this is not power based on equality but based on hierarchy) and are influenced by the new concept that

"power means everything." This kind of "power fetishism," which does not need any tangible medium, has made things convenient for individuals to create physical goods for themselves, thus promoting the uninterrupted regeneration and development of the tendency of payment in kind during the whole social economic process.

With the artificial suppression of the commodity-money relationship within the old system and also due to the unitary dominant position of "bureaucratic departmental selfishness," people engaged in social economic activities have faith in "power fetishism" only. As a result, people cannot see the role played by "power fetishism" in obstructing the development of modern economy which is induced by science, democracy, and freedom. Following the promotion of the market-oriented reform, when many people including the authors of this article have been directly pounded on by the commodities, currencies, and markets, we have found it very difficult to conscientiously and completely free ourselves from "bureaucratic departmental selfishness" and "power fetishism." As a result, this kind of "bureaucratic departmental selfishness" and "power fetishism" have become the stronger forces that are against commodities, currencies, and markets, and have also tenaciously displayed in various ways the tendency of payment in kind during the promotion of market forces. The following are some of the manifestations of this tendency: While mapping out a plan to commercialize residents' dwellings, it is stipulated that cadres at and above a certain level, who are not engaged in the plan, are allowed to use public houses without compensation or with low compensation; while calling for the establishment of housing, telephone, and limousine markets, it is stipulated that there should be a rapid expansion of free housing, telephone, and limousine services for cadres of middle and higher ranks.<sup>11</sup> The system in which bureaucratic power replaces money and purchasing power and "power fetishism" replaces "commodity fetishism" is one of the basic causes of the current tendency of payment in kind. As mentioned above, the practice of promoting "bureaucratic departmental selfishness" and "power fetishism" and the free supply system for officials interact as both cause and effect. The expansion of the free supply system for officials is an important material base that has contributed to the prevalence of "bureaucratic departmental selfishness" while the prevalence of "bureaucratic departmental selfishness" has become a political prerequisite for expanding this free supply system.

#### B. The Two-Tier "Relations Between Father and Son" Within the Structure of Social Organization

Social division of labor constitutes a base for conducting the commercialization of economic realtions. Adam Smith rightly noted that the development of markets is dependent on the development of exchanges while the development of exchanges relies on the development of the division of labor. In China, although the activities of

families, enterprises, social organizations, and governments are phenomenally independent ones, they lack clear and serious divisions of labor. The relations between government and enterprise are the "relations between father and son." There is no clear-cut exchange of equal value between them. Either the government offers to the enterprise free and low priced materials or vice versa, thus forming the relationship characterized by the transference on materials. In addition, enterprises and other social organizations in China have shown a "family-type" tendency. In other words, the relations between enterprise leaders and their subordinate staff members and workers are the "relations between father and son."<sup>11</sup> Each of the factories, schools, organs, and units is regarded as a "big family" or a "small society." The staff members and workers of such an organization as well as their dependents are members of the "big family" and are entitled to share physical goods distributed by their "big family." Once a person is recruited into a unit, this person and his or her dependents are entitled to various material benefits given gratis. A large enterprise (or government organ) has its own school, hospital, residential quarters, service companies, facilities for offering free entertainment, as well as other conveniences. To every employee of a unit and his or her dependents, the unit is their "second family" as well as their distributor of materials, which is second only to the government as the distributor of materials.

The two-tier "relations between father and son" constitute what is generally called the issue of "everybody eating from the same two big pots" (namely the state's egalitarian treatment of enterprises regardless of their performances and the enterprises' egalitarian treatment of staff members and workers regardless of their performances.) Since the reform in China, no substantial progress has been made in breaking the two-tier "relations between father and son." In fact, the second type of "relations between father and son," namely the tendency of turning enterprises into family-type organizations, has actually been strengthened to some extent. The two-tier "relations between father and son" and particular the second-tier relationship have become the social organizational cause of the tendency of payment in kind. All units have vied with one another for distributing physical goods and cash among their staff members and workers. Due to the fact that it is relatively more difficult to evaluate, compare, and supervise various distributions of physical goods, distributing physical goods has become a relatively popular practice.

#### C. The Influence of Traditional Concepts and the Inertia of the Old Supply System

Although the reform over the past 10 years has vigorously lashed out at our traditional habits and concepts, traditional things have become an obstructive force in the reform to promote market forces. We cannot afford to neglect this obstructive force. People still find it difficult to consciously or unconsciously break away completely from the influence of these kinds of traditional factors. Examples in this regard are extremely common.

One clear example is the inertia of the old supply system. Although the Chinese wage system established in the mid 1950's was just slightly influenced by market factors and was also completely irrelevant to any kind of market-oriented reforms, this wage system was rejected by the traditional supply system. Both the movement to criticize bourgeois rightists launched in 1958 and the movement to criticize the eight-grade wage scale launched in 1975 had conceptually and institutionally strengthened the system of supplying physical goods. What we have been implementing over the past 40 years is a wage system that is combined with the supply system. In addition, our monetary wage system has been frequently constrained while the supply system has been frequently promoted and expanded. With the integration of the lower social strata's ideological trend of absolute egalitarianism and the upper social strata's special privilege mentality, the inertia of the old supply system has become such an extremely powerful and stubborn force that the market force fostered over the past 10 years is simply no match for this inertial force.

The barter element within the exchange of industrial and agricultural products was originally a popular method adopted in the early 1960's to bring about a temporary solution to economic problems. However, it seems that we have addicted ourselves to this method—once we are faced with problems in the purchase of agricultural products, it seems that we are only capable of adopting the formula for "exchanging 1 jin of chemical fertilizer for 1 jin of grain" and that we pay no attention to the roles played by market, money, and price.

The propaganda about replacing "soup and 10 other courses" with "soup and 4 other courses" perhaps shows that the relevant propagandists are not aware of their own failure to cast off the yoke of traditional concepts. The crux of the matter is neither limiting the cost of free meals nor token payments for heavily subsidized meals. The central point at issue is whether there should be real and full payments for such meals. The quantitative difference between "soup and 10 other courses" and "soup and 4 other courses" is of no significance as they both are "free meals." A genuine market-oriented reform should advocate that one should pay for one's own meals. If meals are to be fully paid by eaters, such consumers should be allowed to freely choose between "10 courses" and "4 courses," and there is no need for policymakers to make such a decision on behalf of the consumers. This shows that it will really take time to establish the concept of "no free lunch" in China.

#### D. Backward Circle and Low-Level Balance

After being put into operation for more than 30 years, the old supply system still shows its inertia in the reform to promote market forces. Some of the deeper causes of the existence of this inertia are as follows: There has been no fundamental transformation of our economic system; the level of the development of productive forces has been low; the existence of economic backwardness; and

the lack of effective supply. In addition to this background, as well as our failure to fulfill the plan to reduce natural population growth rate, our wealth growth rate has not been high enough to ensure a sufficient supply volume that can replace the extremely attractive balance of low-level rationing. As a result, in the field of simple policy implementation, we have consciously or unconsciously shown a frequent partiality for maintaining or making use of the practice of rationing out physical goods. Some comrades might say this: During the reform conducted over the past 10 years, there has been downward trend in our natural population growth rate, various types of macroeconomic income as well as the target rate of output value have increased with great speed, and the wealth created in the past 10 years is equivalent to or even surpasses the wealth created during the previous 30 years. Such being the case, it is difficult to be convinced that the country is backward with an insufficient supply of goods. It is true that one can take great comfort in the comparisons between different periods as made in the above statement. However, we must see that contrasting a backward country with an advanced one is a concept of the times. After casting off the backward conditions that existed from the 1950's to the 1960's, we are now faced with backwardness in another form; after eliminating the absolute shortage of basic daily necessities from the 1950's to the 1960's, we are now faced with the shortage of new consumer goods and the imbalance of supply and demand in a new form. With this kind of "backward circle," the regeneration of shortages, and the obstacles thrown by "power worship" and egalitarianism in the process of readjusting interests and creating new systems, our reform policy makers had no choice but to maintain the practice of avoiding as far as possible, encroachments of vested interests and seeking a low-level balance on the basis of sharing out benefits equally among the people. As a result, the tendency of payment in kind has once again been protected against attacks.

#### **E. Excessive Demand and the Restraints of Inflation**

Under the influence of international high consumption, backwardness inevitably leads to shortages. However, the problem of the supply side is not the one and only cause of shortages. In fact, shortages result from both the lack of effective supply and the expansion of excessive demand. Generally speaking, shortages will usually put pressure on price increases. If a country's macroeconomic policy is relatively partial to inflation, demand will be expanded more quickly and shortages will be further exacerbated. Under these circumstances, with the people's expectation of future price hikes and with the government leaders' expectation of future instability, it is possible that all of them may opt to adopt a distribution pattern that can ensure a stable supply of consumer goods for every citizen. Judging from this, we can see that the shortages created partly by excessive demand as well as our inflation may have a bearing on the tendency of payment in kind. In an economic field with serious shortages, if the great majority of the people

cannot bear excessive price increases, if there are no absolutely clear distinctions between the public and commercial sectors, between the government and enterprises, and between the power and money, and if commodity circulation is in chaos, it seems to be necessary to adopt some of the following measures in a limited way: rationing of goods; ensuring the rationing of a small number of commodities at fixed prices; ensuring an ample supply of commodities at market prices; or ensuring that a number of commodities will be sold at fixed prices but without the guarantee of an ample supply. Once the shortages are mitigated slightly, the above measures should be discontinued. However, the macroeconomic policy guidance that frequently creates excessive demands can bring about various problems such as the fall of institutional efficiency, the failure to strengthen the effective supply of commodities and to mitigate serious shortages, as well as the exacerbation of the tendency of payment in kind. This point has been proved by events in recent years such as the revival of coupons, the further development of the exchange of physical goods, and the relative expansion of the consumption volume from the free supply system.

#### **F. The Reform's Limitations**

Over the past 10 years, we have obviously succeeded in reforming the rural areas and the mechanism of enterprise management in a basically market-oriented way. However, as far as the reform is concerned, there are still some problems in the fields of circulation and distribution which we cannot neglect. The following are three relatively noticeable problems. First, the obscurely defined ownership of state enterprise has provided openings for enterprise operators (such as factory directors and government officials) to encroach on the interests of ownership. As China's state enterprises are in fact the property of "uncertain ownership," everybody has the chance to have a free share in the ownership profits; there is no effective way to prevent factory directors from distributing physical goods among their staff members and workers; and it is very difficult to truly stop government officials from exchanging their brief informal notes for color television sets and other physical goods in enterprises. Therefore, it can be said that the obscurely defined ownership of state enterprise is a hotbed of payment in kind. Second, China's political reform has so far been primarily aimed at personnel readjustment and institutional reorganization. On the whole, political reform has not made great changes in the country's old organizations but has just created some new organizations on the basis of the old ones. In addition, there have been no substantive measures to reform either the officials' interest structure or their pattern of interest distribution. To reduce resistance to the reform, measures have been adopted to protect vested interests and to offer new benefits such as job allowance and retirement allowance. As a result, the size of social consumption provided by the free supply system has been expanded day by day and the tendency of payment in kind has been further exacerbated with the

sharp increase in the number of new officials and also with the continuous upgrading of the physical goods supplied at public expense (the supply of limousines has been upgraded from Shanghai to Santana while the supply of cooling appliances has been upgraded from an electric fan to an air conditioner). It can be argued that the so-called restructuring of organizations as well as the excessive benefits given to officials over the past few years have not only shown the limitations of reform but have also encouraged the tendency of payment in kind. Third, when there is an "overheating" of the economy, a deflation policy should be adopted. However, the question of what methods should be used to implement such a deflation policy is a question of whether the methods adopted will create obstacles to the reform to be carried out during the next stage. Of our measures and ways of implementing the deflation policy adopted over the past 2 years, some are old ones such as the direct control of physical goods. Some theorists recently advocated using "residence cards" and commodity coupons to ration production enterprises with production materials. As this is a typical method running counter to the market mechanism, it will surely strengthen the tendency of payment in kind in the exchange of production materials.

Judging from the superficial phenomena of the economic process, we can see that contributing factors in the formation of the tendency of payment in kind include the political structure, the organizational formation of society, the level of social development, the influence of traditional concepts, as well as deviations in policy making. However, the deep roots of this tendency lie in the basic system of economic entities as well as the failure to thoroughly reform the generalized nationalization system. According to the fundamental theorem of market economics, all transactions should be conducted in accordance with the principle of equivalent exchange. Therefore, the logical prerequisite for exchange is that a distinction should be clearly made between the separate ownership of the two things to be exchanged. It is right and proper to demand the exclusive ownership of a thing obtained through exchange. However, property of exclusive ownership does not exist in a framework of ownership by "the whole people" or in a sector under "state" ownership. The reasons for this are as follows: every member of a sector under ownership by "the whole people" or in a sector under "state" ownership can, in the capacity of "master," demand the realization of his or her proprietary right of economic goods in a convenient way, and the degree of realization of this kind of proprietary right depends on a member's actual power and official position that can be used to control and influence government-owned assets and resources. The higher the official position, the greater the power over government-owned assets and resources. Those who hold high official positions and wield great power naturally have more opportunities to realize their proprietary right of economic goods. As a result, the power that does not contain "factors in the exchange of equal value" has been used to obtain "other goods" and has also been used as a "certificate" to receive all kinds of free physical

and consumer goods. However, if there is a clearly defined exclusive ownership of things, no power, however great it may be, can be used in the exchange of equal value. With a clearly defined exclusive ownership of things, people, who have neither commodities of equal value nor "collateral," will not be given an "admission ticket" to enter the market. In this sense, we can say that the current tendency of payment in kind is above all an institutional phenomenon as well as an economic phenomenon cultivated by the generalized nationalization system. At present, China's agriculture is indeed in a period of transition from a self-supporting agriculture to a commodity-producing agriculture, and the Chinese peasants' consumption pattern is primarily a self-sufficient one. The following are some reasons for the existence of these conditions: the lack of a full-scale division of labor leading to the underdevelopment of the exchange of equivalents as well as the existence of a small market; and the "low-level surplus" in our backward agriculture. Due to its low-level agricultural development, China's agriculture has shown a low-level commercialization, which has nothing to do with our concept of the "tendency of payment in kind." This is because that such a low-level commercialization is not necessarily linked with the system.

#### **IV. Analyzing the Drawbacks of the Tendency of Payment in Kind**

Modern international economic development shows that if a country's economic circular flows have entered the normal stage of monetization, the appraisal of its economic activities can be conducted in accordance with the open market principle, thus enabling its economic development and changes to show a very high degree of transparency. Such being the case, its economic policy operations and its readjustment of macroeconomic variables can also be carried out in accordance with the open market principle, thus offering the possibility of having much space to make free choice. These are the basic motivations for many socialist countries' economic reforms to have been conducted in a market-oriented fashion. It is becoming clearer and clearer that although economic development in the form of payment in kind was undoubtedly the inevitable choice made by the primitive communist economy and the feudal naturalist economy, and that this will also probably be a choice to be made by the future communist economy following the full development of international capitalism, such an economic development can only become a negative economic force in the present international market economic order.

The widespread tendency of payment in kind in China's economic life has shown at least the following drawbacks.

##### **A. The Lack of Transparency in the Distribution of Benefits**

China's current distribution of benefits (incomes) is in fact a "dual-channel" distribution. First, the distribution through market channels, which is primarily manifested

through wages, interest, profit, and other monetary incomes. Second, the distribution through nonmarket channels, which is primarily manifested through distribution in kind and the supply of physical goods to holders of coupons and ration cards.<sup>12</sup> Generally speaking, benefits distributed through the market channel show a high degree of transparency as it is relatively easy to make a comparison between benefits offered by different main bodies through the market channel. However, with regard to benefits distributed through the nonmarket channel which show a lack of transparency, it is not only very difficult to gauge and compare the difference in such benefits between individuals, units or groups but is also very difficult to supervise and manage the distribution of benefits done through the nonmarket channel. The normal practice is that after conducting a distribution in kind, a relevant individual or unit not only will not publicize it but also will not enter this item into a personal account book. Covertness is a basic characteristic of the internal distribution in kind conducted by Chinese enterprises, government organs, and other nonprofit organs. This covert internal distribution in kind is detrimental to the adoption of a correct government policy on income regulation.

#### **B. The Lack of Standard Yardstick for Making Economic Appraisals**

Due to the fact that the internal distribution in kind conducted by every unit is a covert process lacking social transparency and that such a distribution is not recorded in account books, statistics concerning the national income distribution are incomplete, thus turning the national personal income distribution statistics into chaotic accounts. It is impossible to find out the real difference between various units' income distributions on the basis of such units' pay sheets. The current trend of China's personal income-distribution structure shows that the disparity in monetary wages is being narrowed and that the disparity in wages in kind is being expanded. Such disparities are more noticeable between the ordinary staff members and workers and the government officials as well as between government officials of different ranks. Although a senior cadre's wage may be just double the wage of an ordinary staff member or worker, such a cadre's wage in kind may be several times more than that of an ordinary staff member or worker. In addition to the aforementioned perks for every senior cadre such as a car, telephone, a commodious house, and domestic help, a senior cadre's expenses in traveling to various areas to attend meetings and in having meals during his or her official inspection tours also mean a considerable income. Due to the existence of variant income distributions, we do not have standard yardsticks for making economic appraisals nor do we have standard management rules in this regard. On the one hand, pay sheets do not reflect the actual incomes of wage earners; on the other hand, it is very difficult to get correct figures about the Chinese citizens' incomes in kind. As a result, statistics about China's personal income distribution have been inevitably turned into chaotic accounts.<sup>13</sup>

With the lack of transparency in the field of personal income distribution and since there are no standard yardsticks to make economic appraisals, the macroeconomic policy on income distribution surely lacks scientific basis and tends to be faulty. China's wage reforms conducted since 1985 have not only failed to bring forth any new ideas in the wage system but have also caused more and more complaints in this regard. The increasingly unpopular administrative-type readjustment of wage structures will surely be turned into an egalitarian compromise as a result of the friction and contention among the staff members and workers. An important reason for the failure is that the wage reforms just touched upon monetary wages and did not deal with distribution in kind and particularly the distribution of special physical goods. Practice has proved that without turning distribution in kind into monetary distribution and that with the nonexistence of standard yardsticks to make the national income appraisals, the reform of distribution not only will not produce the desired result but will actually run counter to the principle of fair play in the modern commodity economy.

#### **C. Rent-Seeking and the Extension of the Grey Market**

The features of payment in kind in commodity circulation are the inhibition of price readjustment and the practice of inhibiting a number of commodities from taking part in open market transactions based on monetary appraisals. When there is a serious shortage of a certain kind of commodity, coupons and ration cards are issued to enable consumers to have a quota share of this commodity sold at fixed price by designated shops. This means an artificially imposed restriction on open market transactions. This restriction causes prices to deviate from the law of supply and demand, and weakens the regulatory role played by prices. It will inevitably produce two conditions. First, a quota share does not necessarily mean a share needed by a consumer. There will inevitably be a situation in which some consumers need more and some need less. To remedy this kind of disparity, there will be rent-seeking activities in the exchange of quota shares. Those who are allotted the quota shares that are larger than what they need will throw their "surplus" quota shares into the grey market in exchange for equivalents (such as renminbi) while those who are allotted quota shares that are smaller than they need will not hesitate to spend money on buying quota shares, thus creating in reality nonequivalent exchanges. Second, those who are in charge of allotting quota shares may put some of the quota shares into their own hands and wait for an opportunity to illegally resell rationed materials at a profit or illegally sell ration cards and coupons for personal gain. This means that people engaged in allotting quota shares are directly involved in transactions in the black and grey markets. Such being the case, the process of allotting quota shares directly produces two results. First, residents are assured of the supply of a limited number of rationally priced commodities in short supply, thus setting their minds at rest. Second, a grey market is artificially created and

expanded, thus bringing about an increase in rent-seeking activities. A policy on rationing generally takes the first result into account but fails to give consideration to the second result.

#### D. The Drawback to Market Renewal

The tendency of payment in kind has brought about a drawback to the establishment of a competitive system as well as a drawback to market renewal and development. The tendency of payment in kind is definitely a companion to both the natural economy and product economy. This tendency rejects the equilibrium role played by money, and excludes competition between buyers, competition between sellers as well as between buyer and seller. In particular, under the circumstances in which the "fetishism of official power" and "power worship" are in vogue, the exchange of physical goods is inevitably conducted in a bureaucratic way, with buyers being forced to be kept in bondage and to be robbed of their rights, and with sellers monopolizing the exchange market. This monopoly power means that competition on a fair and equal basis is out of the question. In addition, since the process of payment in kind has been manipulated by administrative organs, this process has solidified factors in the old system and restricted the growth of factors in new systems. China has been conducting its market-oriented reform on and off for several years. This shows one basic fact—payment in kind is still deeply ingrained in the people's minds and practices.

#### E. Price Distortion Leads to the Inefficient Disposal Key Elements

Another drawback of payment in kind is that it has led to the price distortion as well as the inefficient disposal of key elements. Having all the disposable key elements of real prices is the basic prerequisite for having an efficient market system. As mentioned above, during the process of payment in kind, a rationed commodity either in the open market (bought with coupons at rational price) or in the grey market (exchanged for another commodity or coupon) will throw the commodity's price into confusion. With the producer, consumer, and macroeconomic regulator receiving distorted price signals, they can hardly avoid making incorrect policy decisions, which will finally lead to inefficient economic operations.<sup>14</sup>

#### F. Mutual Intensification of "External Shortage" and "Internal Surplus"

Distribution in kind was originally aimed at performing the following economic functions: using quotas to create a low-level equilibrium of supply and demand, alleviating market shortages, allowing everybody to get the same amount of materials in short supply, allowing a number of people (such as officials) to get a larger share of commodities and services in short supply (such as a commodious house, telephone, car, and advanced medical service), and allowing another group of people (such as ordinary citizens) to get a very small share or no share of the above-mentioned commodities and services in short supply. However, if we take a long-term and

fundamental view of the issue, we can see that the rationing method cannot stimulate the increase in supplies. Rationing not only cannot alleviate market shortage but may bring about a situation in which there is a mutual intensification of "external shortage" and "internal surplus." The existence of external shortage will surely lead to the household internal hoarding and surplus, which will then further aggravate external shortage, thus forming a vicious circle. This trend is quite clear. For example, a certain city government has used financial subsidies to support the supply of consumer goods for urban residents during New Year's. While issuing more coupons to urban residents, the city government has allowed the post-New Year's goods to go on the New Year's market ahead of time. As a result, although the city managed to have an abundant supply of consumer goods during the New Year's, its post-New Year's market shortage will surely be intensified. As consumption demand varies from person to person and from period to period, there is always a number of people whose New Year's consumption volumes are smaller than the rationed volumes, thus creating some surplus and waste. This kind of surplus may become a contributing factor in the future shortage.<sup>15</sup> Therefore, we can say that the system of rationing in kind not only can hardly achieve a positive balance of supply and demand but is actually creating an imbalance of supply and demand.

#### G. Increasing Trading Expenses, and Encouraging Waste and Corruption

Judging from the origin and functions of money, we can see that money has always been used for making things convenient in the field of exchange and also for cutting trading expenses. Money is readily accepted by people as an equivalent in exchanges. However, our system of distribution in kind runs in the opposite direction. Within this system, both the department for distributing production materials and the department for distributing consumer goods are excessively overstaffed organizations and are also very clumsy in operation, thus greatly increasing trading expenses. In addition, the trading expenses in all kinds of exchanges of physical goods and the costs of internal rationing in kind within all our units are still very high.

The aforementioned irregular subsidies not only have created more and more heavy loads on the state's shoulders but have also stimulated waste and abuse. The regular pattern of waste and abuse shows that the most serious cases of waste and abuse occur in areas that are most heavily subsidized by the state. The waste of state subsidies for the urban workers' food, housing, and free medical service has become general knowledge in our country. As distribution in kind lacks transparency, it is very difficult to evaluate, compare, and supervise such distributions, thus creating the breeding ground that encourages corrupt practices. Most serious corrupt phenomena occur in areas where the level of transparency is very low (or the level of covertness is very high).

### V. Concluding Remarks

On the basis of the above analysis of the tendency of payment in kind in the course of China's market-oriented reform, we can achieve the following four points of basic understanding, which are this article's concluding remarks.

A. Overall, we must fully understand the arduous, protracted, and progressive nature of market-oriented economic reform in our country. There are many contributing factors in the formation of the tendency of payment in kind. They include the economic and political systems, the organizational structure of society, the level of development, the influence of traditional concepts and habits, as well as the faults and mistakes in policy making. All these factors have constituted drawbacks to the progress of our market-oriented reform. Facts have proved that all the ideas and practices of trying to achieve quick success are impractical ones. Due to the lack of any relevant successful foreign experience that can be used for our reference, and due to the insufficiency of our theoretical preparation and practical experience, it will be impossible for us to accomplish the whole task at one stroke even if we have the courage to break down barriers. Happily, this point has been understood by more and more people. An economist noted over the past 30 years and more, our country has established a well-organized product economy. Turning this product economy into market economy is perhaps more difficult than turning natural economy into market economy. This is because the "antimarket force" within a powerful and well-organized product economy is much more powerful than such a force within a decentralized and weak natural economy.<sup>18</sup>

Of course, it is not true that people are powerless in the face of the obstructive tendency of payment in kind. Although the tendency of payment in kind has objective and unavoidable aspects, it is true to say that this tendency has avoidable aspects that are caused by subjective factors. For example, it is true that it is impossible to complete the commercialization of housing in one morning. However, while raising monetary wages by a big margin, why can we not properly raise housing rents, charges for water and electricity, as well as transport fares for the purpose of lessening the tendency of payment in kind? It seems that in the course of the market-oriented reform, there is no need for us to make a choice between leaping and being at a standstill, and we can surely do a still better job of learning to walk.

B. On the basis of an overall understanding of the issues mentioned above, we believe that in choosing a development strategy or a reform strategy, we should overcome and prevent the drawback of overheating. Although the tendency of payment in kind was weakened in some aspects in the early 1980's, this tendency has actually been strengthened in the mid and late 1980's. Clear examples of the weakening and strengthening of the tendency are the reduction and revival of the aforementioned coupons. Obviously, the strengthening of the tendency of payment

in kind was directly linked with the exacerbation of the imbalance of supply and demand or with the worsening of material shortages. However, the worsening of shortages originated from both the overheated nature of our development strategy as well as the reform strategy characterized by being overanxious for quick results (which is also a kind of overheating). The panic purchasing during the summer-autumn period of 1988 was the result of the convergence of the two types of overheating, which reflected the worsening of material shortages and the strengthening of the tendency of payment in kind. It is thus clear that the overheating nature of the two strategies has produced the adverse effect of "more haste, less speed," and obstructed and delayed the course of our market-oriented reform. It is worthwhile to draw this lesson while grasping development and reform issues.

C. In the short-term process of retrenchment, we must be careful to avoid using administrative measures indiscriminately, and it is also necessary for us to implement market-oriented measures as far as possible. Whenever we face the worsening of material shortages, we are used to implementing the traditional method of issuing coupons and rationing on commodities. It is true that this method can easily achieve through administrative means a balance of supply and demand in economic operations. However, from a long-term point of view, this method will hinder market development, restore the economy of payment in kind, do damage to the earlier achievements in reforming the mechanism of economic operations, and create the mechanical cycle of "payment in kind-market orientation-payment in kind." Therefore, in making a readjustment through the use of some administrative measures, we must never forget that our objective is not achieving a balanced rationing on physical goods but realizing a market-oriented price equilibrium—this is the fundamental difference between the Chinese economic readjustment in the early 1960's and the current Chinese economic readjustment. We should not solidify measures to freeze prices and wages through administrative means. Before reform, we bore all kinds of hardships caused by the long-term freezing of prices and wages. This old method must not be used for a long time during the new readjustment. It is totally inconceivable that price reform can be accomplished in one move, and the long-term freezing of prices and other market variables through administrative means is definitely not a permanent solution. Therefore, all measures for short-term readjustment and retrenchment must be implemented on the principle of contributing to the long-term deepening of our market-oriented reform. In other words, such measures must be implemented on the principle of breaking the aforementioned mechanical cycle.

D. The promotion of our market-oriented reform not only involves issues concerning economic operations but also involves issues at a deeper level. For example, our market-oriented reform is inevitably linked with the reform of our ownership system. Judging from the angle of economic interests, we can see that one fundamental problem of the tendency of payment in kind lies in the

lack of clearly defined relations between different economic interests. Due to the existence of economic relations characterized by payment in kind, people can gratuitously obtain through inexplicable means property and interests not belonging to them. Our market-oriented reform is precisely aimed at clarifying such relations, defining property relations between different mainstays of the market, and solving the problem of everybody being an owner of public property and bearing no responsibility for such property, as well as the problem of everybody being able to damage or even appropriate public property. Therefore, reforming our ownership system has become an unavoidable issue in the course of deepening the reform of the mechanism of economic operations. In addition, only by linking the market-oriented economic reform with the restructuring of noneconomic factors and particularly with the political reform can we resolve the tendency of payment in kind as caused by various political factors such as "bureaucratic departmental selfishness." As space is limited and also as the restructuring of noneconomic factors and the political reform are not directly related to the theme of this article, we cannot discuss them in detail here.

This article is a revised version, completed in March 1989.

#### Footnotes

1. Many Chinese and foreign economists have researched this issue. For example, Comrade Liu Guoguang and other comrades have summarized China's original economic system as "the traditional mode of a centralized planned economy characterized by a military-type communist supply system." This point can be found in the article "China's Socialist Economic Reform—Its Opening Up and Development," written by Liu Guoguang and others, and published by the Economic Management Publishing House, p 116. Shi Chuan Zi has defined the main body of China's original economic system as "the system for conducting centralized management of physical goods and planned disposition of resources." This point can be found in Shi Chuan Zi's article "Socialist Economy and China's Experience—Prospects for Economic Reform," which was carried by KEJI DAOBAO, No. 2, 1986.

2. It is reported that by the end of 1987, the number of industrial products directly under state planned management in China was cut by 50 percent as compared with the previous period, and the total amount of materials placed under the unified state distribution was cut by 90 percent as compared with the previous period. However, since the panic buying of goods during the July-August period in 1988, some industrial products and manufactured consumer goods have been placed once again under the compulsory administrative distribution. But the size of this compulsory administrative distribution is smaller than that of the late 1970's.

3. In the 1960's, rationed commodities in Beijing numbered 102 types while Shanghai had a total of 92. By the 1970's, there were still 73 types in China. During the first half of the 1980's, with the exception of grain, edible oil, and clothing coupons, Shanghai residents did not basically need coupons to buy other commodities. In addition, due to a relatively ample supply of grain, cotton cloth, and edible oil from nonrationed sources, coupons for such commodities did not restrain the residents from buying them very strongly. For more information in this regard, please see Jiang Bo's article "Changes in Ration Cards," carried by JINGJI RIBAO on 15 October 1987.

4. Please also see "Statistical Yearbook of China 1987," p 692.

5. According to statistics there are only 90,000 cadre in leadership positions above the assistant bureau level in the whole country, but 210,000 have already been approved to enjoy the said level of compensation. (See "Diluting the Ranking System" by Xiao Dong, JINGJIXUE ZHOUBAO 12 Jun 1988.)

6. The scope of rationing in China is quite wide. Within the main rationing body, there are rations from the government as well as from institutions. Regarding the materials that are rationed, there are production elements including capital, labor force, and the means of production, as well as consumer goods. With regard to the targets of rationing, ordinary citizens are rationed with medical and health care services, dwellings, free education, and low priced commodities while senior cadres are rationed with special supplies. There are two basic criteria regarding rationing out consumer goods. First, goods are rationed according to the number of people. Second, free goods are rationed according to positions. The former is to allow every urban citizen to have an equal share in a wide range of consumer goods with the purpose of guaranteeing the supply of articles for daily use while the latter offers a narrow range of relatively expensive consumer goods which are rationed according to positions with the purpose of giving officials an incentive to make greater efforts. The former has some built-in budgetary restraint in the sense that consumers have to pay for low priced goods while the latter belongs to the typical "free supply system" in the sense that recipients do not have to pay for goods received. For more details, please see Part Four of Zhao Renwei's article "Some Changes in the Workers' Personal Income Distribution," published by JINGJI YANJIU [ECONOMIC RESEARCH] No 3, 1985.

7. Strictly speaking, all kinds of coupons including grain, pork, and color television coupons are not valuable things that can be exchanged for physical goods but just symbolize shortages. However, due to the effects of the law of supply and demand, coupons that symbolize shortages have become exchangeable commodities in the grey market. As a result, the formula N—W, namely exchanging coupons for physical goods, can be replaced by the formula N—G, namely exchanging coupons for money.

8. According to an estimate, the current cost of the consumption subsidies in various fields for China's staff members and workers including housing and food subsidies, free medical service, and free education is equal to about 80 percent of these people's average wage income. For more details in this regard, please see the article "on the Prerequisites and Needs for Achieving a Modest Level of Prosperity," written by Li Tiejun and Zheng Lianming, and carried by JINGJI RIBAO on 18 July 1987. Expenditure on China's free medical service in 1987 reached nearly 10 billion yuan. During the 1980-86 period, the state spent over 100 billion yuan on housing construction for government staff members and workers, house rents accounted for only 2 percent of the total housing construction investment, and the state subsidized over 2 yuan a month for every square meter of the floor space occupied. For every kg of grain and every kg of peanut oil consumed by urban residents, the state has subsidized over 0.34 yuan and 1.6 yuan respectively. State subsidies have also covered other urban consumption goods such as pork, milk, eggs, vegetables, coal, and cotton cloth. The growth rate of state subsidies used to bridge the gap between the purchase and selling prices of urban consumption goods has greatly surpassed the growth rate of state revenue during the 1978-86 period: such subsidies were increased from 5.56 billion yuan in 1978 to 24.4 billion in 1986; such subsidies reached 32.1 billion yuan in 1984. For more details in this regard, please see the report "Reviewing the Reform on the basis of Commodity Prices," carried by BEIJING RIBAO on 22 June 1988 as well as the figures on page 763 in the "Statistical Yearbook of China 1988." It is estimated that Beijing's annual financial subsidies per capita have reached 550 yuan. For more details in this regard, please see Liu Xiaolong's article carried by ZHONGGUO FUNU BAO on 16 November 1988.

9. People who are entitled to special supplies are those who are entitled to special consumer goods such as free telephone and limousine services, high-grade houses at low rent and other services at public expense. These people are entitled to the largest per capita material consumption volume not restrained by market forces. In addition, they enjoy the largest proportion of consumption subsidies as provided by the state, and are least susceptible to price increases.

10. On 17 November 1988, RENMIN RIBAO carried a 16 November XINHUA dispatch datelined Dalian, which stated: In the past few days, a number of northeast delegates to the national conference on placing orders for chemical products in Yantai, together with more than 100 limousines, have arrived at the meeting-place by sea. Some people said, "It is most unseemly for them to attend the conference together with their limousines. They surely would not have transported their limousines to the meeting place if they would have had to pay for the freight out of their own pockets." In fact, it is now quite common for senior cadres in China to use free limousine service while going on a journey. This kind of consumption behavior faces no budgetary restraints at all, thus

showing a typical tendency of payment in kind, which actually results from "bureaucratic departmental selfishness" and "power for power's sake."

11. For more details about the two-tier "relations between father and son," please see the article "China's Economic Reform in the Eyes of Hungarian Economists," written by Cornell and Daniel and carried in JINGJIXUE YICONG, No 12, 1987.

12. Regarding coupons and ration cards as incomes is easily understandable. For example, every urban resident is given gratis by the state grain coupons totaling 30 jin a month. If an urban resident only needs 20 jin of grain a month, this will mean two incomes. First, the unused 10-jin grain coupons can be exchanged for 1 jin of eggs, which are worth 2.5 yuan, meaning an extra income of 2.5 yuan. Second, suppose the price difference between 1 jin of rationally priced grain sold by the state grain shops and 1 jin of grain sold at negotiated price in the free market is 0.35 yuan. An urban resident consuming 20 jin of grain a month will then have an extra income of 7 yuan per month. Judging from this, we can see that although the 30-jin grain coupons are outwardly valueless in monetary terms, they actually mean a total extra income of 9.5 yuan a month for such a resident.

13. According to some people, the fact that the disparity between various monetary wages cannot truly reflect the real difference between various incomes shows that superficially equal wages actually mean different real incomes. These people are actually complaining and criticizing that the tendency of payment in kind in the field of income distribution has caused the lack of a standard yardstick for making economic appraisals as well as the lack of interest transparency.

14. A detailed analysis of this issue can be found in the article "Exploring Issues Concerning the Leading Production Setup within the Chinese Industrial Structure," written by Wang Zhongmin et al., and carried by GUANLI SHIJIE, No 1, 1988.

15. According to a RENMIN RIBAO report published on 2 March 1989, only 25 percent of the New Year's coupons issued to Hangzhou city residents were recovered 15 days after the festival. Following the Lantern Festival, Hangzhou citizens were still seen lining up for using their New Year's coupons to buy consumer goods. They were "doing New Year's shopping after the Lantern Festival." One buyer said, "We have not even finished consuming the New Year's foodstuffs distributed by our unit. If the New Year's coupons would not become invalid soon, we could wait for another 10 or 15 days to do the shopping." This report shows that the system of rationing in kind not only has artificially created "internal surplus" but has also stimulated the growth of excessive demand.

16. For more information, please see Xiong Yingwu's article published by LILUN XINXI BAO on 13 February 1989.

### **Inflation Attributed to Economic Mechanism**

HK 181235 Beijing JINGJI GUANLI /ECONOMIC MANAGEMENT/ in Chinese No 5, 1989, pp 15-18

[Article by Xun DaZhi 5424 1129 1807: "Inflation Caused by the Economic Mechanism and Contradictions Encountered in the Course of its Management"]

[Text] At present, there exists not only serious inflation in China's economic operation process but factors leading to inflation are being generated in a continuous way, and the inflationary gap is being enlarged.

Since 1988, in order to control the excessive demand expansion, the state has adopted a contractionary monetary policy and a contractionary financial policy to handle this situation. However, in reality, the situation of the expansion of the money supply was the most serious one in the recent years, and the total amount of money issued in the whole year was about 70 billion yuan. This year's situation is still very serious. According to past experience, after an extraordinary growth in the issuance of currency within a certain period, a process of the natural withdrawal of currency from circulation will follow. However, in view of this year's plan and arrangement, the planned money supply is still seriously expanding.

The realities proved that there is still no way to improve China's present situation where the inflation problem is getting worse and worse. In fact the present problem that the situation of aggregate imbalance and structural imbalance is being intensified, and this problem is out of control. The key reason leading to this situation is that the inflation problem has changed from one which was caused by policy in the past into one caused by the economic mechanism, and a simple contractionary policy can no longer achieve any results.

#### **1. Reasons Leading to the Inflation Caused by the Economic Mechanism**

Since the implementation of the reform, in particular since 1984, and with the expansion of the decisionmaking power of enterprises, profound changes have occurred in China's economic operative mechanism. This has changed the situation where inflation in China was caused by policy reasons before 1984 into the present situation where the inflation problem is caused by the economic mechanism. Moreover, China's inflation problem has also changed from one caused by policy into one caused by the economic mechanism. The reason for the inflation problem caused by policy is due to the adoption of an expansionary macroeconomic policy. However, such an inflation problem can still be managed by macroeconomic policies. The reason for the inflation problem caused by the economic mechanism is due to the distortion and declination of the economic operative mechanism, and this problem is reflected as a runaway of the macroscopic situation. Therefore, the inflation problem caused by the economic mechanism is a more complicated one, and its management is more difficult to handle.

The main reasons for China's inflation problem caused by the economic mechanism are discussed below.

A. The rigid expansion of consumption demand. Under the condition where the constraints on enterprises have been relaxed, the income motivation of enterprises have become strong. As a result and in the microeconomic aspect, enterprises (mainly reflected in the aspect of using funds) have been in favor of consumption and have neglected accumulation, and in the aspect of accumulation, they have been in favor of nonproductive accumulation and have neglected productive accumulation. Consequently, the wages of staff and workers has been induced to grow rapidly, and rigid expansion of consumption has resulted. In the period from 1984 to 1987, the average annual growth rate of national income was 10 percent, while that of wage expenditure in the same period was 18.4 percent. With the expansion of the decisionmaking power of enterprises, this situation has become more acute, and has thus induced enterprises and staff and workers to have an extremely unreasonable expectation on consumption: when production grows, they demand a faster growth rate in their income for consumption; when production decreases, they still demand a certain rate of growth in their consumable income.

B. The expansion of consumption demand itself has brought about another round of consumption demand expansion. Another problem coexisting with the problem of consumption demand expansion is the unbalanced structural distribution of the expansion of consumption demand in China. In areas where the control of the state income policy is weak, the expansion of consumption demand is more rapid. Expansion of consumption demand is due to the excessive growth of income for consumption, which is the amount of income exceeding the basic wage, of individual economic units, rural economic units, collective economic units, various types of companies, and other units, and individuals, and the excessive expansion of the consumption fund of state-owned productive enterprises, which have a higher level of income. This type of inflation is a type of positive inflation. However, the growth of the income for consumption of people who are earning a fixed amount of income and are relying on the state finance is the slowest, and at times, their real income was declining. This has led to the extreme imbalance of the social and economic structure of basic benefit, has forced the state to increase the income of these people, and has induced expansion of the consumption demand which is already expanded. These are the important reasons for changing the practice of giving implicit subsidies into the practice of giving explicit subsidies while the amount of implicit subsidies has remained high in recent years.

C. The expansion of the amount of loans issued for use as circulating funds is caused by the economic mechanism. The first target of enterprises is growth of the consumption fund, and their second target is expansion of fixed asset investment. Therefore, in the process of productive accumulation, enterprises will favor fixed asset investment and will neglect accumulation of circulating funds.

Some enterprises have even used their own circulating funds in investment or consumption. They have thus asked banks to help them to meet their demand for circulating funds, and have thus forced banks to issue more loans, which will be used as circulating funds, to them. This has consequently led to expansion of the issuance of loans, which will be used as circulating funds.

D. The expansion of fixed asset investment caused by the economic mechanism. Under the influence of the expanding consumption demand and the thinking of aiming at obtaining returns within a short period, enterprises' fixed asset investment has obviously been inclined toward the general processing industry, and enterprises are not willing to invest in basic industry. Under a system whereby each enterprise is responsible for its own funds, in particular under the system of contracted financial responsibility, local investment has also been seriously inclined toward the processing industry, which will produce products that are at a higher price and tax level. This has made the structural contradiction of the national economy more acute. These are important reasons leading to the inflation caused by the economic mechanism. At the same time, in order to improve the bottleneck constraints on the national economy, the central government has been forced to increase investment in key construction. Consequently, expansion of investment demand has resulted.

E. Under the motivation of profit, enterprises have been induced to increase price. To increase price is the most easy and simple practical way for enterprises to increase their profit, and to increase individual income. Under the condition where there is no reasonable price formation mechanism and no reasonable competitive mechanism, seller enterprises are in an advantageous position. Therefore, it is possible for enterprises, including enterprises that do not have monopoly power, to increase price at will. Basic industrial enterprises have thus made use of the situation where their products are in short supply to increase price; and manufacturing enterprises have continued to increase price after they have digested the factors of price increase and cost increase. Finally, spiral increases in commodity prices have resulted. This type of impulse to increase price became more obvious after the implementation of the contracted responsibility system.

F. The regressive financial system has led to a rapid drain on financial income, and has widened the inflationary gap which is caused by the economic mechanism. A regressive financial system, which is contrary to the progressive financial system which is popular all over the world, has been formed in China since the implementation of the reform, in particular since the implementation of the enterprise contracted responsibility system. Under such a system, the state will have a larger profit share of the contracted basic figure of enterprises, while in the increased amount of profit that has exceeded the contracted basic figure, the state's profit sharing proportion has decreased rapidly. This has resulted in a new distribution pattern characterized by the phenomenon of

incremental profit concession. With the continuous growth of the economy, the phenomenon of incremental profit concession has caused a continuous drain on financial income, and the proportion of financial income in national income has thus decreased in a continuous way. This process has been greatly accelerated by the problem of inflation. The proportion of financial income in national income has fallen from 28 percent in 1986 to 24.1 percent in 1987. The proportion has decreased by 3.9 percent in a year, and has reached the lowest point in history. In 1988, the proportion fell to 22.2 percent, decreased by 1.9 percent when compared with 1987. The rapid drain on financial income has intensified the momentum of the expansion of consumption of manufacturing industry. On one hand, the state's financial burden has been increased as it has to remedy the structural imbalance of consumption demand and imbalance of the industrial structure, and on the other hand, the state's spending capability has been reduced. Consequently, the state has been pressed by two sides of financial pressure, resulting in a financial deficit and another round of demand expansion.

G. The problem of inflation itself is bringing about inflation. Over the past several years, the problem of inflation in China was brought about by market track factors of the "dual track system," and the benefits brought about by price increase have been obtained by enterprises and individuals operating under the market system, and the state has obtained only an extremely small amount of such benefits. However, the problem of inflation has brought all-round influences. Units operating under the planning system have only suffered losses and have not obtained any benefit. In fact, this is equal to transferring a portion of the profit obtained by units operating under the planning system, through the situation of price increase, to units operating under the market system. The profit and loss situation of units operating under the planning system is caused by state plans and policies. Therefore, such losses have to be financially compensated, and in particular have to be financially compensated by the central government. Because of inflation, financial expenditure has increased rapidly. However, financial income has not been able to increase correspondingly. This income and expenditure gap can only be filled up by financial deficit. Consequently, another round of inflation has been brought about. When units operating under the planning system have received a certain amount of compensation, their capability of bearing the price increase pressure exerted by units operating under the market system has thus increased. Consequently, units operating under the market system have to face another round of inflation, and a vicious cycle has thus been formed. The inflation caused by the economic mechanism has passed the inflationary gap to key sections which will constrain China's economic growth. It has made the problem of inflation closely related to economic growth, and has increased the degree of difficulty in managing inflation. In order to check inflation, the amount of loans issued for use as circulating funds, key construction investment,

and the growth of basic wage should be cut. The results will be: production of enterprises will be affected, the expansion of the bottleneck will be constrained, the enthusiasm of staff and workers will be affected, and a rapid fall in the economic growth rate will be brought about. In order to maintain the rate of economic growth, more loans for use as circulating funds should be issued, and key construction investment and basic wage should be increased. However, the result of these actions will be inflation.

## II. The Focus of Current Policy on Checking Inflation and Problems Encountered By Such a Policy

**The first focus:** To rapidly check the momentum of rapid commodity price increase.

The rate of commodity price increase in the period from 1989 to 1990 should be apparently lower than that in 1988. This is to stabilize the saving of inhabitants, and to delay the process where implicit inflation will become explicit. Under the present situation where there is a serious inflationary gap, and the impulse of price increase is very strong, the only effective way to check the continuous price increase is to adopt the method of price control. For capitalist countries, under a hyperinflation situation where there is spiral increase of commodity prices and wages, they can freeze prices and wages. However, price control does not mean that there will be no flexibility. In handling some extremely unreasonable price relations, price adjustment should be implemented even when price control is being adopted.

The problem that will be aroused by the adoption of price control, however, is that strict price control will be contradictory to some aspects of the reform. Since inflation has been caused by the fluctuation of the price of the commodities on which price control has been relaxed or where the power of fixing their price has been handed down to local levels. Then, in order to stop the continuous increase in commodity prices, it is inevitable that the practice of price control will be readopted to control the price of some commodities on which price control had been relaxed, and the power for fixing the price of some commodities will be centralized. Therefore, it is unrealistic if we expect that the current readjustment will not be contradictory to the reform that has been implemented. However, the general principle should be that the targets of the contractionary policy should be achieved under the precondition that the results of reform, which have been already obtained, should not be affected. Here, the policy difficulties will be. First, how to define the scope of price control, and how to enable it to achieve the target of stabilizing the price level while not affecting the results of reform that have been obtained and not to present obstacles to future reform. Second, how to choose the form of price control. If we follow the "dual-track system" where the control on the price fixed by plans should be strictly enforced and the control on the price that is to be fixed by the market mechanism should be relaxed, and try to achieve the target of stabilizing the price level by expanding the

proportion of the number of commodities which price is to be fixed by plans, the strong impulse of price increase will thus be concentrated on the scope, which has been reduced, where price is to be fixed by the market mechanism. As a result, the price difference caused by the dual track system, which has been reduced through the efforts made in recent years, will be enlarged again, causing an unreasonable price system to again be brought about. However, with the "single track system," where there is unified control on price, we will have to face the problem of how to reasonably allocate the limited amount of resources.

**The second focus:** To absorb the current inflationary gap.

Let us first not [now?] consider the problems and difficulty that will be encountered in the course of the implementation of price control. Even if the current momentum of rapid price increase is checked, the result will be the delay and accumulation of the problem, and this will not be a final solution to the problem. Once when price control measures, which are to be implemented as temporary measures, are cancelled, the inflationary gap, which has been enlarged over a long period of time, will inevitably lead to more serious inflation. Therefore, the second focus of the policy for checking inflation is: at the same time when the current momentum of price increase is being checked, effective measures should be adopted to absorb the current inflationary gap, to eliminate the pressure of inflation, and to develop as early as possible conditions for relaxing price control.

Apart from absorbing a certain portion of the amount of over-issued currency by maintaining a lower rate of price increase acceptable to inhabitants, the main target of the practice of absorbing the current inflationary gap is to transform the present residual purchase power in society, which will affect the market at any time, into long term productive investment, so as to reduce the pressure on the near term market. At present, the measures that can be adopted to achieve this target are to implement housing commercialization, to expand the scope of the issuance of shares and debentures, to sell state-owned small-sized enterprises, land, and gold to import high-quality consumer goods to withdraw currency circulating in the domestic market, and so on. In view of the present situation, these methods will only play a limited role. The issuance of shares and debentures, in fact, is already a better method of transforming the money income of inhabitants into accumulation. However, it would be unrealistic to expect that a rapid development of the shares and debentures markets will be achieved in the near future, and that such a development will become an important means of absorbing the current inflationary gap. Under the situation where the inflation rate is expected to remain high, currency will only be absorbed by offering a higher rate of returns on shares and a higher debenture interest rate. However, under the situation of inflation, it will involve for enterprises a high degree of investment risk, and they will also be unable to afford the excessive high cost of

funds. Although the sales of state-owned, small-sized enterprises can be considered as a policy option, there will be only an extremely small number of people who can have several tens of thousands or several millions in funds to buy state enterprises. Therefore, this method could play an extremely limited role in absorbing the domestic inflationary gap. Being a special type of means of production, the selling and purchase of land should be conducted in a cautious way. Due to the limited amount of gold and foreign exchange reserve, we cannot expect that the selling of gold and the import of high-quality consumer goods will bring effective results in withdrawing Renminbi from circulation. At present, people have high expectations for the practice of housing commercialization in absorbing currency. In fact, this practice will not be able to achieve significant results. Currently, the state is preparing to formulate or is prepared to implement a macroscopic income policy to readjust the structure of basic social and economic benefits. On the one hand, this policy will control and suppress the income of people whose income has increased too fast, and on another hand it will appropriately increase the income of low-income earners. The object of the practice of housing commercialization is low-income earners whose income should be relatively increased. The result of this practice will be that the biased benefit structure will be worsened. Therefore, this is not a practical method.

At present, the counter measures which have been taken into consideration for absorbing the inflationary gap can only play a limited role. Moreover, most of them can only be adopted once, and will damage the vigor of macroeconomic regulation and control. Of course, we have to pay a cost to absorb the inflationary gap that has accumulated over a long period of time. However, such a cost should only be paid once. If the present inflationary gap is eliminated while factors that will lead to a new round of inflation are being generated, the inflationary gap will emerge again. At that time, the state will no longer be able to absorb the new inflationary gap; thus, problem will become more serious. The precondition, therefore, for absorbing the inflationary gap is the elimination of the roots leading to the generation of factors that will bring about inflation.

**The third focus is: To eliminate the root leading to a new round of inflation**

In order to check the factors which will lead to a new round of inflation, the growth of the quantity of the money supply should correspond to economic growth. Therefore, it is essential to implement a contractionary monetary policy and a contractionary financial policy. However, the practice of simply implementing policies to achieve financial and credits contraction can no longer check the inflation problem caused by the economic mechanism. The current macroeconomic policies in general can only control whole-people demand, and budgetary and planned demand. Over the past several years, whole-people demand, and budgetary and demand

have been suppressed, and they cannot be further suppressed. However, due to the declination and distortion of the economic operative mechanism, the inflation problem caused by the economic mechanism has transferred the demand gap to the key sections and bottleneck departments of the national economy, which cannot be suppressed anymore and to which supply should be increased. This has thus forced the state to relax the contractionary financial and credit policy. The crux of the problem is that the state's contractionary policy implemented over the past several years inability to achieve expected results lies on this point. Therefore, in order to check the inflation problem caused by the economic mechanism, the mechanism should first be transformed, and factors related to the mechanism that will bring about inflation should be eliminated. However, the success of the method of fundamentally changing the present unreasonable economic operative mechanism depends on the fundamental transformation of the system model. This should be the final destination of the reform. The present task is to eliminate the inflation problem caused by the economic mechanism, which is brought about by the declination and distortion of the economic operative mechanism, before the system model is fundamentally transformed to prepare environmental conditions for deepening the reform. How to make clear such interrelated relations is one of the great policy difficulties of the readjustment. At present, the measures that can be adopted to achieve this target are to implement housing commercialization, to expand the scope of the issuance of shares, and debentures, to sell state-owned, small-sized enterprises, land, and gold to import high-quality consumer goods to withdraw currency circulating in the domestic market, and so on. In view of the present situation, the problem concerning investment is that the scale of the investment projects which are being constructed is too large, and is not that the annual investment scale is too large. If the annual investment scale is excessively cut, growth of long term supply will be affected, and the demand and supply gap caused by consumption expansion will thus be enlarged again. Of course, under the present situation where there is demand expansion, and consumption expansion cannot be checked, an appropriate contraction of the investment demand that is relatively easy to contract will play a positive role in reducing the pressure of aggregate demand expansion. However, this method, which will sacrifice long-term benefits for the sake of current benefits, is a method that has to be adopted when there is no alternative, and we should try not to adopt it. In view of the reform experience of Hungary and Yugoslavia, in the initial stage of reform, the investment impulse will often first be released from the traditional system, and investment expansion will then be brought about. With the promotion of the reform, the momentum of the consumption impulse will gather strength, and then a situation of dual expansion—consumption expansion and investment expansion—will be brought about. Finally, the rate of consumption expansion will be accelerated, investment impulse will be weakened, and a situation of single expansion—consumption expansion—will result.

The present indications have shown that China is at the starting point where the situation of dual expansion is going to be transformed into a situation of single expansion. Therefore, at present and concurrent to when the investment scale is being contracted, we should pay greater attention to the emerging problem of insufficient investment enthusiasm. The problem of economic growth is not a problem on the rate of growth, the key is whether the conditions and factors supporting economic growth are reasonable and normal, or not. If they are reasonable and normal, it is better to have higher economic growth rate, and the higher the better. If economic growth is being supported by unreasonable factors, the focus of the regulation and control program should be on eliminating these factors, and should not be merely on suppressing the growth rate. If the fall of the economic growth rate is too fast after the unreasonable factors supporting the economic growth have been eliminated, the problem will be on how to prevent an excessive fall in the growth rate and not on how to suppress the growth rate.

### III. How To Check Inflation Caused by the Economic Mechanism

To check the inflation problem caused by the economic mechanism, we have to start with the following:

A. The excessive growth of the consumption fund should be strictly controlled. Among the many targets of macroeconomic regulation and control, this is the one most difficult to achieve. In order to eliminate the bias, which is related to the economic mechanism, of enterprises in using their own funds and in order to strengthen the accumulation mechanism, the proportion of the funds, which are owned by enterprises, to be used in consumption should be fixed, and such a stipulation should be strictly observed. The work on supervision enterprises' financial costs auditing should be enhanced, and the leak of the consumption fund, which is caused by the system, should be stopped.

B. The scope to be regulated and controlled by the state's income policy should be expanded, the excessive growth of the income for consumption of individual economic units, rural economic units, collective economic units, and various types of companies, which is the root of consumption demand expansion, should be strictly controlled, and the distorted structure of basic social benefits should be gradually readjusted.

C. The proportion of the amount of circulating funds owned by an enterprise in the total amount of funds of this enterprise should be fixed, and the expansion of the issuance of loans for use as circulating funds which is caused by the economic mechanism should be stopped.

D. Investment in key construction projects should be increased, the industrial structure should be adjusted, and the structural pressure caused by inflation should be reduced. In this aspect, on the one hand, the investment proportion of the central government should be

increased, and on the other hand, the investment of enterprises and local governments should be directed to basic industry.

E. The regressive financial system should be transformed into a progressive system. The first step is to change the contracted basic figure into a proportional quota to enable synchronous growth of financial income and national income. The second step is to enhance the power of profit tax, to adopt a progressive tax system, and to form a progressive financial system step by step.

### PROVINCIAL

#### Fujian Conference Emphasizes Economic Strategies

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15 Jul 89 pp 1, 3

[Excerpts] On the evening of 13 July, the Fujian Provincial People's Government held a telephone conference on "double increase and double economy" [the campaign to increase production and practice economy and to increase revenue and reduce expenditure]. The conference was to mobilize the broad masses of staff members and workers on the industrial, transportation, and domestic trade fronts to further unfold the "double increase and double economy" campaign, make contributions to fulfilling this year's national economic plan, and take concrete action in developing production to further implement the guidelines of the 4th Plenary Session of the 13th CPC Central Committee and the important speech made by Comrade Deng Xiaoping.

Vice Governor Shi Xingmou spoke at the conference. He said: "Since the beginning of this year, the broad masses of staff members and workers on the industrial, transportation, and domestic trade fronts have, under the leadership of the provincial party committee and the provincial people's government, conscientiously implemented the policy of the party Central Committee on improving the economic environment, rectifying economic order, and deepening reform, unfolded the 'double increase and double economy' campaign in an extensive and deep-going manner, overcome difficulties in a tight supply of funds, energy sources, and raw materials and in transportation, especially those caused by the turmoil stirred up by a handful of people in April and May, and made very significant achievements in fulfilling various tasks. In industrial production, tasks for the first half of this year were overfulfilled in terms of both output and profits. State enterprises have further increased economic results and achieved initial success in adjusting production structure. Various localities and departments have vigorously promoted production of light industry and textile products, electronic products, and other easily marketable daily necessities. The market has been brisk and prosperous. The total value of retail sales in the first half of this year rose by 27.4 percent, compared with the corresponding period last year."

Vice Governor Shi Xingmou pointed out that the current, urgent economic tasks are to continue the work of improving the economic environment and rectifying economic order and further implementing the policy of adhering to reform and opening to the outside world. Leading cadres of various localities, departments, and enterprises must grasp the work of stabilizing the overall situation on the one hand and the tasks of improving the economic environment, rectifying economic order, and deepening reform on the other hand.

He said that, in the second half of this year, we must, through extensively unfolding the "double increase and double economy" campaign, actively speed up economic development, strive to raise economic results, and ensure effective supply.

In the second half of this year, the main tasks of the "double increase and double economy" campaign should be

1. It is necessary to strengthen leadership over the "double increase and double economy" campaign. Further unfolding this campaign in an extensive and deep-going manner is not only a strategic measure for improving the economic environment, rectifying economic order, and deepening reform this year, but also an important immediate task in seriously implementing the guidelines of the 4th Plenary Session of the 13th CPC Central Committee and the important speech by Comrade Deng Xiaoping. [passage omitted]

2. It is necessary to deepen the "double increase and double economy" campaign with an emphasis on raising economic results. At present, our province is faced with the situation of tight supply of funds and raw materials, but the situation of waste is also quite serious. Therefore, there is great potential for saving money and conserving the use of raw materials. [passage omitted] We should carry forward the honorable tradition of hard struggle and thrift, and resolutely curtail all nonproductive expenditure.

3. It is necessary to ensure the normal production of major enterprises. Large and medium-size state enterprises are the leading force in developing the national economy. Currently, we should lay stress on grasping the work of the 46 key enterprises, each with more than 10 million yuan in annual profit and tax. Economic commissions at various levels should strengthen the production adjustment of those enterprises and be sure to meet their needs in normal production, including funds, raw materials, energy sources, and transportation. At the same time, various localities and departments should further develop joint and cooperative ventures and foreign-funded enterprises and effectively help them solve difficulties and problems in production and operation in order to strengthen foreign businessmen's confidence in making investments.

In the second half of this year, the work of promoting industrial production, transportation, and domestic trade work will be more difficult than that in the first

half. Various localities and departments should fully understand this point, and strengthen adjustment in the supply of coal and electricity and in transportation work. They should also pay attention to the supply of raw materials for industrial production. Cadres, staff members, and workers on the industrial, transportation, and domestic trade fronts should carry forward the honorable tradition of continually working hard, and stress their work in "July, August, and September" in order to make new achievements in fulfilling annual production tasks. During this period, particular attention should be paid to reducing heat and preventing sunstroke. Units should show concern for the living conditions of staff members and workers. Governments at various levels and departments concerned should improve their work style, go deep into the grassroots level, and actively help enterprises solve problems and difficulties.

4. It is necessary to make serious arrangements to ensure effective market supply. First, we should conscientiously grasp the procurement, marketing, adjustment, and storage of grain and effectively carry out the summer grain procurement task. Second, we should continue to grasp the building of nonstaple food bases, with pig-raising paramount, and actively help those bases solve problems with funds and fodder. Industrial and mining enterprises with good conditions should establish their own nonstaple food bases and strive to improve living conditions of staff members and workers. Third, we should continue to grasp the building of vegetable production bases and make efforts to ensure stable production and supply. In particular, we should pay attention to the supply of vegetables in the "autumn slack season." Fourth, we should continue to pay attention to producing industrial items, which are in great demand in the market. Special attention should be paid to the supply of people's daily necessities and we should ensure continuous and steady supply of those products. In addition, we should further improve order in circulation and strengthen market management.

5. It is necessary to speed up the work of replacing old contracts with new ones. Since the implementation of the contract responsibility system in this province, state revenue has increased and enterprises now have greater vitality. This has whipped up the enthusiasm of staff members, workers, and operators in promoting production. The practice has proved that the contract responsibility system is quite suitable for this province and is a good method of deepening reform in enterprises. Recently, the provincial people's government transmitted a joint work report by the provincial economic commission, the provincial committee for structural reform, the provincial finance department, the provincial labor bureau, and the People's Bank of China on speeding up the replacement of old contracts with new ones to various units, hoping that various localities and departments would further improve and develop the contract responsibility system in line with their own conditions.

6. It is necessary to effectively grasp the work of importing technology and of technological transformation. Facts have proved that importing technology and renovating existing enterprises are effective ways to promote continual development of industry. Leaders in various localities, departments, and enterprises must heighten their understanding and pay attention to this work.

### **'Serious' Smuggling Problem Continues in Fujian**

HA100040089 Beijing CHINA DAILY in English  
8 Aug 89 p 1

[By staff reporter Li Zhuoyan]

[Text] Fuzhou—Smuggling has become a serious problem on the coast of Fujian Province this year, the province's Administration Bureau of Industry and Commerce says.

Since 1988, about 55,000 smuggling cases have been cracked and goods worth more than 78 million yuan have been confiscated.

The smuggled goods were mainly cigarettes, gold, textiles, watches and video tape recorders.

Cigarette-smuggling has become serious this year. In the first six months, over 59,500 crates of smuggled cigarettes have been discovered, compared to only 65,000 last year.

"But these constitute only a part of all the cigarettes smuggled. Still a lot have escaped into the black market," Zhang Shaoyuan, an official from the bureau said.

He said that the cigarette-smuggling centre has shifted to Fujian Province from Guangdong Province since June of last year. Instead of coming from Guangdong Province, illegal cigarettes were brought into the province through the coast of its Jinjiang, Shishi and Putian prefectures.

In the first six months this year, over 56,000 grammes of gold have been confiscated in the province, up 103 percent over last year.

Instead of flowing out of the country, smuggled gold has begun to flow back into the province from Hong Kong, since domestic gold prices have gone higher than those of the international market.

Another item being smuggled out of the country is eel fry. So far this year, about 150 kilogrammes of eel fry have been hunted down, most of which was aimed at the Taiwan market.

Smugglers are interested in eel fry because demands for it are enormous, especially in Japan, Hong Kong and Taiwan. To check the activities, the provincial government is taking stern measures, which will mobilize departments from the Public Security Bureau, the Customs, frontier inspection stations and the tobacco administration bureau to fight against smuggling.

But problems remain, including the lack of sophisticated equipment and adequate funds to better facilitate the war on smugglers.

The government has recently decided that the struggle against smuggling, especially in the coastal provinces is most urgent in the campaign against corruption and crimes.

### **Shaanxi Enterprises Help Ease Financial Shortfall**

HK1907023789 Xian Shaanxi Provincial Service in Mandarin 2330 GMT 18 Jul 89

[Excerpt] Eleven large and medium-sized industrial and commercial enterprises in Shaanxi have voluntarily turned over an extra 30 million yuan to the state after completing their production plans for the first half of the year outstandingly well. This is a contribution to supporting the province's economic construction.

Although Shaanxi's revenue situation is relatively good this year, and local financial revenue in the first half of the year was 1.604 billion yuan, a rise of 15.53 percent over the same period last year, capital shortage remains the main problem constricting industrial production in the second half of the year. According to information, the province's industrial enterprises are currently in urgent need of over 500 million yuan in production capital. This has caused tremendous difficulties in organizing production.

In order to assist the province in resolving its capital difficulties, the 11 enterprises turned over an extra 33.5 million yuan to the state. The leading comrades of the provincial government have commended this spirit of bearing the overall situation in mind. [passage omitted]

### **Shanghai Reports Steady Growth in 1989**

OW0308142089 Shanghai City Service in Mandarin 0900 GMT 26 Jul 89

[Text] This afternoon, the information division of the municipal government held a press conference, and revealed that Shanghai's economy continued to grow steadily during the first half of this year. Total social supply continued to expand, rapid growth in total social demand has been checked, and measures to improve the economic environment and rectify economic order have scored initial success.

According to a briefing by Li Maohuan, director of the municipal statistics bureau, Shanghai's GNP topped 33.4 billion yuan during the first half of this year. In terms of comparable prices, it increased by 7.4 percent over the same period last year. Production of goods readily marketable, supportive of agriculture, urgently required for national development, and for export to earn foreign exchange, recorded growth at different rates. Bicycles, color television sets, and refrigerators increased respectively by 9.1, 37.9, and 36.8 percent.

Production of chemical fertilizers, pesticides, and daily necessities also increased considerably.

Ever since work to improve the economic environment and rectify economic order began, Shanghai has halted, or delayed, construction of 1,612 projects, slashing investment by some 5.1 billion yuan. Excessive consumption has begun to cool, institutional consumption has been brought under control, and sales of commodities in the market have stabilized. The commodity price index has fallen since February of this year.

Progress has been made in development of the export-orientated economy. A total of 133 contracts for direct investment by foreign businessmen were signed during the first half of the year, an increase of 1.8 times over the same period last year, and the value of these contracts increased by 65.6 percent. The export value of heavy industry products increased by 11 percent over the same period last year.

At the press conference, (Shi Huixian), deputy secretary of the municipal government, gave an account of the major points concerning Shanghai's economic work for the latter half of this year. He argued that Shanghai's economy will face severe challenges as well as historical opportunities during the second half of this year. Currently, we must conduct the "dual increase and dual economy" campaign more soundly and effectively. We must further stabilize commodity prices, tighten control of the growth of consumption funds, suppress the scale of investment in fixed assets, accelerate the pace of correcting the product mix, strive to fulfill the export target of \$5 billion this year, support and help textile, metallurgy, and other key industries to increase production, reduce inventories, and practice economy.

When he touched on opening to the outside world and development of the export-oriented economy, (Shi Huixian) said: "This is Shanghai's steadfast choice." After stressing the seven points on no change and the determination to press on with the policy of opening to the outside world, he also revealed that, currently, the municipal government is deliberating further measures in this respect to resolve issues of great concern to foreign businessmen, and to widen their scope of investment.

## INDUSTRY

### Industrial Output Posts 10.8 Percent Gain for Year

HK0807005489 Beijing CHINA DAILY in English  
8 Jul 89 p 1

[By staff reporter Zhang Yuan]

[Text] The country's industrial output in the first half of this year increased by 10.8 percent to 639.6 billion yuan over the same period last year despite the current austerity programme to cool down the economy, CHINA DAILY learned yesterday.

Compared with the increase of the corresponding period last year, the economy slowed by 6.4 percent over last year's figure, but was still 2.8 percent higher than the State-desired 8 percent increase set for the whole year.

However, the increase rates of 10.4 percent in the first quarter and of 11.1 percent in the second quarter show a steady industrial development, according to the report by the State Statistics Bureau.

When divided, light industry increased by 11.3 percent to 323.6 billion yuan while heavy industry was up 10.3 percent to 316.0 billion yuan, keeping a ratio of 50.6:49.4.

As far as ownership is concerned, state-owned enterprises created 399.2 billion yuan worth of goods, up 6.1 percent and collectively owned enterprises increased by 16.6 percent to 214.2 billion yuan.

The report said that the internal structural contradictions within industry are still obvious as investment in raw materials, transport and post and telecommunications in the first half of this year dropped, compared with the same period last year.

But total energy production in this period increased by 5.9 percent.

Production of major metallic raw materials also increased.

In consumer goods, the country produced 5.45 million colour television sets in the first half of this year, an increase of 34.2 percent; refrigerators were up 34.5 percent to 4.19 million; and washing machines increased by 9.1 percent to 5.41 million.

Of raw material production, glass shot up by 16.8 percent and cement was up 4.3 percent to over 100 million tons.

But steel production dropped by 2.8 percent to 29.15 million tons; chemical fertilizer by 1.3 percent to 9.05 million tons; and timber by 2.9 percent to 25.17 million square metres.

However, industrial development in coastal provinces was still faster than in other places.

The top four are Guangdong, Fujian, Shandong, and Hainan provinces, whose industrial increases ranged from 25.1 percent to 18.5 percent.

But the development of the country's biggest industry city—Shanghai—was up only 6.8 percent to over 51.2 billion yuan.

Tibet Autonomous Region was the only one whose industrial output dropped—by 5.8 percent—according to the report.

Industrial economic returns were not so optimistic in the first five months this year, the report said.

### Light Industry Up 10 Percent This Year

OW1107082589 Beijing XINHUA in English  
0105 GMT 10 Jul 89

[Text] Beijing, July 10 (XINHUA)—China's total light industry output value in the first six months of this year totalled 115 billion yuan, about 10 percent more than the same period of last year, reported today's CHINA DAILY.

Although the overall growth rate for the period matches the ministry's target, it obscures a decline in June, due mainly to sluggish production in the provinces of Liaoning, Zhejiang, Shandong, Guangdong, and Sichuan and the cities of Tianjin and Shanghai, said Gong Zhaorong, head of the ministry's Production Bureau.

Of 18 major light industrial products, 13 increased output over the same period of last year.

These include sugar, up by 10.3 percent; salt, by 24.8 percent; paper, 4.7 percent; detergents, 15.5 percent; refrigerators, 34.5 percent; washing machines, 9.1 percent; beer, 9.7 percent; canned food, 12.9 percent; electric fans, 24.1, and watches, 9.6 percent.

But overall industrial development was still unbalanced, Gong said.

Lack of funds, energy and materials, plus poor transportation and an irrational price system, continued to hamper production of other essential light industrial goods, causing their outputs to decline since last year.

These are enamelware, vacuum flasks, pencils, glass products, toothpaste, batteries, leather goods, light bulbs, locks and metal works.

The recent social and political unrest also affected some industries negatively, resulting in a loss of 60 million yuan in Beijing alone, Gong said.

But he said the impact has not been too serious since light industrial enterprises are widely dispersed and mostly at the county level, far from the urban centres most affected by unrest.

Meanwhile, Gong said, output of dairy and aluminium products shrank by 7.1 and 14.3 percent respectively due to shortages of materials.

The production of liquor dropped by 11.5 percent, primarily because of the shortage of grain and the government's effort to limit production of high grain-consuming products.

Gong expressed little optimism about light industrial production in the remaining half of this year because of the absence of effective measures to overcome shortages of funds, raw materials, and energy.

Delays in shipments of imported raw materials in particular, caused by the shortage of foreign exchange, would make things even more difficult, he said.

### July Industrial Production Figures

HK0808113189 Beijing CEI Database in English  
8 Aug 89

[Text] Beijing (CEI)—China's industrial output in July reached 106.3 billion yuan, a 9.6 percent increase over the same month of 1988, according to the State Statistical Bureau.

July's daily output averaged 3.43 billion yuan, a 13.4 percent drop from that of June.

The total output of state-owned enterprises in July reached 65.6 billion yuan, 6.4 percent more than the same month of last year, and collectively-run enterprises reached 36 billion yuan, a 12 percent increase.

In July, the output value of light industry amounted to 52.2 billion yuan, 70.9 percent [as received], and that of heavy industry, 54.1 billion yuan, up 10.1 percent.

The average daily output value of 12 regions in the country in July dropped by more than 15 percent from June. But, the total industrial output value of Beijing reached about 3.79 billion yuan, 2.6 percent more than June and 9.19 percent more than the same month of last year.

During the first seven months of this year, China's total industrial output value reached 746.3 billion yuan, up 10.6 percent over the same period of last year. Of this, light industry accounted for 376.1 billion yuan, or an 11.1 percent increase, and heavy industry, 370 billion yuan, a 10.2 percent increase.

### Output Drops in July

OW1108050989 Beijing Domestic Service in Mandarin  
0930 GMT 7 Aug 89

[Text] The latest statistics provided by the State Statistics Bureau show that China's industrial production, communications, and transportation in July suffered setbacks because of the intense summer heat in some parts of the country and flooding and waterlogging in other parts. Although total industrial output value in July rose 9.6 percent over the same month of last year, the average daily output value dropped 13.4 percent from the previous month. However, departments concerned still maintain that the situation is normal.

The statistics show that currently the production of energy, raw and processed materials, and daily necessities is steadily increasing. Total energy output rose 5.8 percent in July. The average monthly rate of increase for energy in the first 7 months was 5.9 percent, a marked increase from the same period of last year. Thanks to the increase in energy output, the production of pig iron, rolled steel, and other raw materials is also increasing each month. Although the output of light and textile industrial products dropped at the beginning of the year, it began to pick up again later.

**Minister Reports Increase in Textile Production**

OW1407225189 Beijing XINHUA in English  
0953 GMT 14 Jul 89

[Text] Beijing, July 14 (XINHUA)—Despite a shortage of raw materials, energy and funds, in the first half of this year China's textile industrial output value increased by 4.44 percent compared with the same period last year.

Wu Wenying, minister of textile industry, said the main products, such as chemical fiber, cotton yarn, cotton cloth, printing and dyeing cloth and knitting wool, all overfulfilled their output quotas, and the output of other products was higher than during the same period last year.

The downward tendency in China's textile industry at the beginning of this year has ended, Wu announced at an interview with XINHUA and RENMIN RIBAO.

However, in some textile enterprises production costs rose and profits declined because of poor quality cotton, she pointed out.

**Textile Industry Readjusts Machinery Production**

HK1707114189 Beijing CHINA DAILY (BUSINESS WEEKLY SUPPLEMENT) in English 17 Jul 89 p 2

[By staff reporter Jiang Xiaoyun]

[Text] China's textile industry is readjusting its production of textile machinery in an effort to adapt to difficult times.

Production of cotton, wool and silk-spinning machinery will be more strictly controlled, since the raw materials for them are in short supply and the capacity for producing machines has already gone beyond the supply of necessary raw materials.

Instead, an effort will be made to develop machinery for ramie and chemical fibre processing.

China has more than 1,000 textile machinery manufacturers with an annual output of 250,000 machines, according to Liu Rende, director of the Technical Equipment Bureau of the Ministry of Textile Industry.

Both the output and the varieties of machines rank first in the world, but the technological development is rather low. Only 0.6 percent of the equipment is up to worldwide standards of the 1980s, while the other 99.4 percent is at the 1960s level.

China will need 150,000 new types of machines annually by the year 2000, but its annual production capacity is only 800.

China imported more than \$1 billion worth of textile machines last year, but cannot afford to spend that much foreign currency to import textile machines every year, said Liu.

In order to encourage domestic industries to develop their own new types of machines, the Ministry of Textile Industry has appealed for controls on the importing of textile machines and the lowering of import taxes on spare parts for new types of textile machines.

Meanwhile, China will also develop new machines for producing chemical fibres, advanced dyeing and finishing equipment and machines with new knitting patterns.

**Fujian Approves 12 Industrial Satellite Towns**

OW1307051489 Beijing XINHUA in English  
0137 GMT 13 Jul 89

[Text] Fuzhou, July 13 (XINHUA)—East China's Fujian Province has approved the setting up of 12 industrial satellite towns, the fifth group in Fujian Province, according to a local official.

They will be located near the towns of Tantou, Meihua, Yingqian in Changde County, and towns of Yindu, Luncang, Matou and Loudong in Nan'an County, and Penglai Town in Anxi County, Jufeng town in Heping County, Jingcheng Town in Nanjing County, Chendai Town in Yunxiao County and Yanxi Town in Changtai County.

These are located in the Fujian coastal open areas where infrastructure and transport facilities are ideal for the development of an export-oriented economy.

The new satellite towns will also enjoy preferential treatment like the development zones of Xiamen, Zhangzhou and Quanzhou.

**Industrial Production Grows Steadily in Fujian**

OW1007024789 Beijing XINHUA in English  
1339 GMT 9 Jul 89

[Text] Fuzhou, July 9 (XINHUA)—Fujian Province in East China scored 13.35 billion yuan (\$3.6 billion) in its industrial output value in the first six months of this year, up 19.3 percent over the same period last year.

According to the provincial statistical bureau, the increase was 9.7 percentage points less than the increase rate of the same period last year.

A provincial official said production of durables and daily consumption goods rose by a big margin in the first half of this year and the production of energy and raw materials for heavy industry went up by varying degrees.

The increase rate of industrial output of rural businesses exceeded that of the state enterprises in the first half of this year.

According to the official, the province had 199 state industrial enterprises running in the red between January and May this year, 13 more than in the same period of last year.

### Shanghai Implements 1989-90 Industry Restructuring Plan

OH 1508110389 Shanghai City Service in Mandarin  
0900 GMT 10 Aug 89

[Text] Shanghai has begun to implement the 1989-90 industrial restructuring plan. Under the plan, all industrial enterprises should regard the conservation of energy and raw and semifinished materials and the increase of exports as a way to earn more foreign exchange as the most important annual tasks of industrial restructuring. The enterprises, however, also should ensure product quality and increase economic efficiency. At the same time, the plan has put forth a fighting goal of conserving 8 percent of energy and raw and semifinished materials.

In line with these guidelines, Shanghai has decided to limit or discontinue the manufacture of 100 kinds of outdated products, such as ordinary grinding and milling machines, single-cylinder engine washing machines, and old-fashioned three-door refrigerators. It also has decided to shut down, suspend the operations of, merge, or transfer to other lines of production 82 enterprises with insufficient production tasks, poor economic efficiency, irrational production pattern, or serious pollution problems in urban areas. At the same time, it has decided to give top priority to developing 220 kinds of products, including color television sets, refrigerators, and rotary compressors, as well as to carrying out 200 construction projects in the raw and semifinished materials industry, newly founded industries, the consumer goods industry, and the equipment industry so as to give momentum to industrial development.

### Sichuan Reports Industrial Progress

HK 1007054089 Chengdu Sichuan Provincial Service in Mandarin 2200 GMT 9 Jul 89

[Excerpts] The cadres and workers of Sichuan's industrial enterprises achieved a June output value of 6.35 billion yuan, an increase of 6.36 percent over the same month last year and a record for the month. [passage omitted] January-June output value was 32.38 billion yuan, an increase of 8.2 percent over the same period last year. Industrial production has maintained a trend of steady growth. [passage omitted]

The main problem in the province's industry in the first half of the year was that light industry continued to slide, and became more and more out of proportion with heavy industry. According to an analysis by the departments concerned, the main reason for the low growth of light industry this year was the poor outlook for those light industries using agricultural products as raw materials, while the prices of certain products rose too high.

### FOREIGN TRADE, INVESTMENT

#### State Reports 'Significant' Increase in Textile, Machinery Exports

OH 08082089 Beijing XINHUA in English  
0800 GMT 8 Aug 89

[Text] Beijing, August 8 (XINHUA)—China's export structure was further improved by the significant growth this year in textile and machinery exports, according to the State Statistics Bureau.

Latest figures from the Bureau show that the export of manufactured goods in the first half of this year hit 15.66 billion yuan, accounting for 70.4 percent of China's total export value, 2.5 percentage points higher than the level in the same period last year.

The export of textiles and garments went up 16.1 percent to reach 6.37 billion yuan, while its proportion in total exports increased to 28.6 percent from 26 percent last year.

In the six months machinery and electronic products worth 3.36 billion yuan were exported, 40.2 percent more than in the first half of 1988.

Major export products in this category include recording, radio and audio-video displaying devices and telecommunications equipment.

Products recording big increases in exports include machine tools, television sets, recorders, cassette players, audio systems, electric fans, sewing machines, bicycles, watches, textile machinery, washing machines and refrigerators.

#### Beijing Garment Exports Increase in 1989

OH 1008141089 Beijing XINHUA in English  
0713 GMT 10 Aug 89

[Text] Beijing, August 10 (XINHUA)—Beijing exported 113.36 million U.S. dollars worth of garments in the first 7 months of this year, 11 percent more than in the same period last year.

An official of the Beijing Municipal Economic and Trade Commission said that the export of garments is expected to total more than 170 million U.S. dollars by the end this year as against 150 million U.S. dollars last year.

Garments have been exported to more than 100 countries and regions including Japan, Hong Kong, the United States, and West European countries, he said, adding that more garments have been sold to the Soviet Union and East European countries this year.

The official attributed the brisk business to the high quality of the garments and efforts to keep up with the latest international information about fashion and honor contracts.

**Henan Approves 22 New Foreign-Funded Projects**

OW1008/93/89 Beijing XINHUA in English  
1344 GMT 3 Aug 89

[Text] Zhengzhou, August 3 (XINHUA)—Central China's Henan Province approved 22 foreign-funded projects involving 35.69 million U.S. dollars of contracted foreign funds in the first half of this year, according to a provincial foreign trade official.

The foreign funds include 43.04 million U.S. dollars of loans from foreign governments, the official said.

The 22 projects are all productive, and most of them will sell their products to the world market.

By the end of 1988, the province had approved 121 foreign-funded firms, with 67 now in operation or trial operation. They involved a total contracted investment of 238.07 million U.S. dollars.

In the first half of this year, foreign-funded firms in Henan exported 7.62 million U.S. dollars worth of goods, doubling the figure for the same period of last year.

**Hubei Conference Reviews Export, Trade**

HAO708143/89 Wuhan Hubei Provincial Service in Mandarin 1130 GMT 6 Aug 89

[Text] A provincial conference on foreign trade and exports, which closed yesterday, pledged to raise morale and overcome difficulties in the latter half of this year to fulfill the year's export quota.

This province witnessed a marked decline in foreign trade and exports during the first few months of this year. The situation began to improve in May, and the province's export value totaled \$524 million by the end of June, equivalent to 44.6 percent of the year's quota. As far as foreign trade and exports are concerned, however, Hubei Province still faces some difficulties—for example, a possible drastic increase in deficits arising from export trade, a shortage of fund appropriations for procurement of goods for export, and uncertainties in supply of export goods.

Vice Governor Xu Penghang delivered a speech at the conference, emphasizing that it was necessary to strive to ensure a continuous and steady development of the province's foreign trade, step up the construction of export production bases, readjust the export mix, increase the supply of goods for export, and fulfill the needs of export trade. In this connection, he said, the province must further improve the investment environment and mend the pace of attracting foreign funds. It is necessary to strictly implement all the enacted preferential policies on investments run by foreign businessmen and Overseas Chinese, and assist enterprises run with foreign capital, Overseas Chinese capital, and with both Chinese and foreign capital in solving problems.

Xu Penghang said: "An overall examination will be conducted into cases concerning delegations and visiting groups sent abroad by foreign trade units, with the focus placed on cases involving violation of discipline, corruption, and bribery. All major and serious cases must be handled promptly and no concessions should be allowed."

**ECONOMIC ZONES****Hong Kong Company Proceeds With Real Estate Projects**

HK1708054/89 Hong Kong HONG KONG STANDARD (BUSINESS STANDARD) in English 17 Aug 89 p 12

[By Sandy Li Chau-wa]

[Text] The improving political situation in China has prompted Tian An China Investments to proceed with the development of three industrial estate and residential projects worth over \$1.33 billion in Xiamen and Shenzhen.

But it will hold back the pre-sale and pre-lease of two other projects until the group sees further improvement in the property market there.

The resumption of work on its three projects is a sharp departure from the group's decision late in June to suspend the implementation of six new projects in the wake of uncertainties in China.

Company director Liu Chang-wen said yesterday the political situation in China had improved very considerably. This prompted the group to resume construction of Xiamen Lakeview Garden, Xiamen Tian An Industrial Estate and Nanyou Industrial and Residential Estate in Shenzhen.

After the turmoil in June, the group visited Xiamen several times and found property prices there did not drop, indicating the area had not been seriously affected, Mr Liu said.

He added the strong demand for residential units from overseas Chinese living in Xiamen prompted Tian An to go ahead with its projects. These would be marketed in Taiwan, Hong Kong and Xiamen, he said.

Xiamen Lakeview Garden is an 18-storey commercial/residential building with a gross floor area of 23,300 square metres. Including land premium, the total investment cost for the project is about \$67 million.

Mr Liu said Tian An would also proceed with the development of the \$1.1 billion Xiamen Tian An Industrial Estate in Hui Industrial Estate. He said the group was banking on the Taiwanese, who had expressed keen interest in expanding their investments in Xiamen, to support the project.

The industrial estate will consist of 652,500 sq m of industrial space, living quarters and other facilities. The

project will be implemented in four phases, with the first due for completion in 1990 and the rest in 1993.

Construction of the group's Nanyou Industrial and Residential Estate in Shenzhen is proceeding as scheduled. When completed, it will comprise multi-storey factory blocks, office towers, workers' quarters, apartments, shopping and other facilities. Including land premium, the investment for the first phase has been estimated at \$163.8 million.

Mr Liu said the pre-sale and pre-lease of Long Hua Industrial Complex and the Tianjin International Building was delayed by the lingering uncertainties in the market.

On the other hand, construction work on Long Hua Industrial Complex slowed down because of the recent turmoil. The building had been scheduled to come on the market in the second half. Pre-leasing for office units at the Tianjin International was supposed to have been launched middle of this year.

Mr Liu said the group would offer no discounts when the two projects are put on the market even if the market was still weak. He said the political condition in China had become stable and foreign investors were expected to regain their confidence in six months.

Tian An still aims to concentrate on the China trade but does not intend heavy involvement in hotel developments there, fearing an oversupply of rooms.

However, Mr Liu said, Tian An has not made any decision to scrap the proposed Beijing Diaoyutai Regent Hotel in favour of another development.

The group's board of directors meets next month to determine the progress in China. According to Mr Liu, Xian Bell Tower Hotel had improved its occupancy rate from 9 percent to 28 percent, Nantong Tian Nan Hotel from 30 percent to 45 percent, and Guangzhou Parkview Square from 30 percent to 49 percent.

Mr Liu said the lifting of martial law in Beijing would help boost China's tourism industry.

The group's hotels in Xian would benefit from an improved tourism in Beijing, he added.

#### **Hainan Continues Development of Infrastructure**

HK 250704 289 Beijing RENMIN RIBAO in Chinese  
15 Jul 89 p 2

[XINHUA report by reporter Chen Jiang 7115 3068: "Hainan Special Region Firmly Grasps the Construction of Infrastructure"]

[Text] Haikou, 13 Jul (XINHUA)—Although Hainan special economic region is facing difficulties such as the tightening up of money supply by the state and insufficient supply of raw and processed materials, it has

followed a down-to-earth manner to promote the construction of infrastructure, so the economy of the special region has been developing in an all-round and stable way.

Hainan is a grain-short province. Every year it has to buy about 300 million kilos of grain from other provinces and foreign countries. The provincial CPC committee and government have realized that agriculture is the foundation of the development and construction of Hainan, and that the problem of grain concerns the stability and speed of development of the special region. Therefore, great effort must be devoted to them. During last winter and this spring, more than 2,600 cadres went to the countryside to help spring with plowing and production. In the first half of this year alone, 60 million yuan was invested in grain production. This brought about a bumper harvest of early rice, and the total output of grain reached 1.59 billion jin, second only to record summer grain output in 1974.

Another important item for strengthening infrastructure construction is that Hainan has continued to grasp well energy, communications, telecommunications and water supply projects. Eighteen key projects, with total investment of 3 billion yuan, for basic facilities and production of raw and processed materials have started or have continued. A gratifying achievement has been made in developing energy construction projects with emphasis on electric power project. On the basis of the completion of 2 generating sets with generated energy capacity of 50,000 kilowatts, efforts were made during the first half of this year to complete another 2 generating sets with generated energy capacity of 100,000 kilowatts. All these have increased generated energy capacity of the whole province to 560,000 kilowatts, and promoted industrial production. During the first half of this year, total industrial output value of the whole province was 1.09 billion yuan, an increase of 18.4 percent over same period last year, of which industrial output value of the state-owned industrial enterprises was 802 million yuan, an increase of 58 percent over same period last year. Income from products sold was 839 million yuan, an increase of 74 percent over same period last year. Total profits were 90.87 million yuan, an increase of 250 percent over same period last year.

Due to constant improvement of the investment environment, foreign capital used by Hainan has continued to increase, and economic cooperation with other localities at home has further strengthened. During the first half of this year, the total amount of foreign capital used in the province continued to increase. By the end of last June, investment projects of 234 foreign enterprises, with investment of \$259 million, were examined and approved by the Provincial Bureau of Economic Cooperation. Some 800 domestic enterprises invested 460 million yuan in Hainan Province. Infrastructure construction projects in Yangpu, Basuo and Macun are in full swing.

**Shenzhen Begins Construction of Key Projects**

HK 1907103789 Beijing *CEI Database*  
in English 19 Jul 89

[Text] Shenzhen (CEI)—Shenzhen is ready to start or has started the construction of eight of the nine key infrastructure projects it plans to build this year.

The nine projects are Shenzhen Airport, Yantian Deep-Water harbour, Huanggang port, Luohu Railway Station Enlarging Project, a 110,000-line program-control telephone exchange, Shenzhen-Guangzhou, Shenzhen-Huiyang and Shenzhen-Shantou Highway projects, a 100,000 kw and a 700,000 kw power stations and a sewage disposal project.

The first six of the nine projects are now under construction. Among them, Huanggang port is expected to open this year and the Shenzhen Airport will go into operation next year. The power plants and the sewage disposal project will also begin production in a short time.

The funds for the nine projects, each with an investment varying from 280 million to 890 million yuan, are raised through various channels.

**LABOR****Wage Increase Discounted as Root of Inflation**

40060635 Beijing *JINGJI RIBAO* in Chinese  
13 Jun 89 p 3

[Article by Ma Xiaoli 7456 1420 7787: "Is Wage Increase the Root of Inflation?"]

[Text] Currently, there are many comrades who feel that wage increases or runaway wages are an important cause of consumer inflation. We believe that this is not a scientific conclusion.

The fact is that in the 10 years of reform Chinese workers' wages have not increased very rapidly, and their influence on consumer demand has not been great. Of course, in this decade the average income of Chinese citizens has clearly increased, but income is not exactly equivalent to wages. In actuality in the past several years non-wage income has increased steadily, and this income exists primarily in hidden form. And of that portion, the majority is not reflected in the accounts, and is referred to as "unaccountable."

It is reasonable to say that this portion of income contributes to consumer inflation. But this portion of income is not equivalent to wages. So we should not simply say that increases in wages affect inflation. This paper does some essential analysis.

## I

We believe that in the 10 years of reform, and especially in the period of consumer demand inflation (1984-88), there was neither inflation nor did wages get out of control.

1. Wage levels didn't significantly exceed the rate of increase in income. From 1979 to 1988 wage levels increased an average of 15 percent a year, as compared to 14.4 percent increase in income during the same period, making it 6 percentage points higher, and according to comparable price calculations, that is still low by 1.4 percentage points. From 1984 to 1988 wages increased 19.7 percent each year, as compared to income which increased on average 19.5 percent each year, so it increased at a faster rate by 2 percentage points, but making comparative price calculations, it was still low by 2.5 percentage points.

2. Average wages are lower than the rate of increase in labor productivity. Between 1979 and 1988, in units under ownership by the whole people, the average annual increase in real wages was 4.3 percent, and from 1984 to 1988 it was 5.8 percent, in the same period the industrial enterprise labor productivity rate in enterprises under ownership by the whole people increased each year an average of 5.2 percent, and between 1984 and 1988 by 7.2 percent. Taking the increase in labor productivity as equal to one, average real wage distribution was 0.83 and 0.81 respectively, and the ratio dropped.

3. Total cost wage rate stayed at 10 percent or below, which is lower than the Soviet Union's rate of 15 percent and Japan's level of 13 percent.

4. The proportion of wage tools made up by national currency income (consumer demand, primarily) fell each year. In 1988 it was 26.1 percent, which was 15.3 percentage points lower than the 1979 level of 41.4 percent, and was 6.6 percent lower than 1984 level of 32.7 percent. The reason for this is that the rate of increase in wages was lower than the rate of increase in the other components of consumer demand.

There are four indicators for comparing wages—economic development indicators, materialized labor and human labor overall efficiency indicators, and consumer demand indicators. From different perspectives, these indicators all prove that wages have not inflated, nor are they out of control.

Then why do some comrades believe that wages have increased too rapidly? In the following points, I present some perspectives and a difference of opinion.

1. We do not understand the full scope of wages. In the past there was only a small amount of non-wage income, but now consumer demand has grown, and we see that workers have more currency in hand, so we naturally think that wages have increased; we often discuss non-wage income and wages as if they were one entity. In recent years non-wage income has increased rapidly, and it is easy to think that wages have grown rapidly.

2. The unilateral nature of time choices. In special periods we solve special problems (the open accounts and wage system reforms of the early period of reform). This has made it so that in some years wages have

suddenly increased rapidly, and this is reasonable. Moreover, in order to evaluate economic development, including the trends in wage movement, we must investigate the overall condition of 5 years or more, for if the time period selected is too brief, it is hard to avoid this or that type of unilaterality.

3. We overestimate wage costs. Comrades who hold this point of view consider pensions, medical costs and other welfare costs as wage costs. Pensions are not live labor consumption. They do not directly contribute to the value of the product. At present in all countries of the world pension and welfare costs are not counted as costs. If we count them as costs it will be even more difficult to make horizontal comparisons.

4. We believe that work efficiency coupling inevitably leads to runaway wages. In fact, the exact opposite happens. In coupling enterprises increases in wages are restricted by economies of scale. If you want to increase wages you must raise economic efficiency. Economic efficiency is the basis for enterprises in increasing wages, and it is also a measure used by the state in controlling enterprise wage increases. For enterprise work efficiency coupling, strengthening macrocontrols has provided very good experience in preventing wage inflation. In the whole people's owned large and medium-sized enterprises in 1985 and 1986 wages increased 15 percent and 9.11 percent over the previous year, lower, respectively, than the 20.4 percent and 44 percent increase in taxes handed over for the same period, and lower also than the total wage increase of 17 percent and 16.3 percent increase in the same period for industrial enterprises owned by the whole people.

5. Ratios lack comparability, such as comparing the real rate of increase in national income with the nominal rate of increase in wages. This type of comparison method which is a formula, such as  $V_1 + M_1/V_0 + M_0$  and  $V_1/V_0$  ratios. Wages (V), based on a base period wage  $V_0$ , while with the national income ( $V + M$ ), the current period wage is replaced by the current periods real wage  $V_1$ , and it is easy to see whether this is reasonable or not. Commodity prices often diverge from commodity value, demonstrating how the overall price level has risen, which leads to an empty increase in national income, and at the same time also leads to an empty increase in consumer demand.

Looking from the perspective of currency expense, this type of empty increase represents a real increase in currency expense, and similarly in consumer demand, national income. Therefore, when comparing consumer demand or wages with national income we must use "double nominal growth ratios" or "double real growth ratio" methods, rather than using "single nominal single real growth ratio" methods.

## II

Worker non-wage income is not the same as worker wages. It is not subject to state plan controls, so therefore it is highly subject to inflation. The broad definition of

non-wage income includes pension and welfare payments paid to individuals and "market distributions" (abbreviated as "autonomous"), a narrow definition of non-wage income is only income of the "market distribution" type. We again analyze the latter.

The narrow definition of non-wage income, according to its original nature, consists of five types.

1. Vocational income, such as a worker's income from his second occupation related to each work unit. The demand in the economy is for more technical and more specialized labor force (such as Sunday engineers). Since second occupations are developing rapidly, income from second occupations is rather high.

At present, approximately 18 percent of China's labor force is engaged in a second occupation, and estimates in 1988 are that income from second occupations will amount to 10 to 15 billion yuan.

2. Income-creating income, such as the portion of income-creating income which is earned by the work unit collectives and distributed to the workers, where there are many income-earning workers and where there is a strong connection with the work, such as scientific research, consulting, architectural design, services activities, related scientific investigation, consulting, design, schools, hospitals and other such work units. The majority of income-earning income is considered non-wage income, and work units themselves suggest releasing it, so it is difficult to account for in the total. We estimate that the amount of income-earning income is rather high. The majority of people doing income-earning labor are intellectuals. Through their own labor, and within a certain range, they are able to change this unreasonable pattern of distribution. We believe that in these conditions of weak financial power in China, it would be worthwhile for work units to expand their methods of using income-earning labor.

3. With policy income, workers receive the benefit of favorable policy treatment. With the continuing economic development, the state and local governments have instituted some favorable policies for some trades and departments in the areas of operations, prices, retained earnings, etc., and so these trades and departments have earned a lot of income. This involves commodity sales, industrial enterprises that have rights to conduct their own marketing, architectural enterprises that engage in budget contracting, rental businesses and some businesses for which there is a rather great societal demand (such as the taxi industry). Favorable policies introduce vigor, but they also expose some problems, for example some units make use of the holes in the two-tier pricing system to make a profit. When favorable income policies are adopted for the same types of businesses (the disparity between taxicab driver income and bus driver income) it leads to unfair distribution and strengthens the escalating comparison effect.

4. Income that violates regulations or income that is obtained in violation of financial regulations. Income

that is taken or realized or was blatantly obtained on the side and is not a wage or bonus or welfare fund account and is distributed to the workers for their own consumption.

According to calculations from investigations conducted by state scientific research units, in 1985 all of China's "unaccountable" income (similar to what is described in this paper as income that is in violation of the regulations and departmental policy income) totalled 20 billion yuan.

1. Power Income: Making use of power in hand, engaging in official activities and thereby earning a profit. This primarily involves some departments that hold power or businesses or centers started by some important people. Average per capita income levels are quite sizeable and it is the type of thing whereby mastery of some power allows you to obtain some income and makes it so one falls "too far behind to even make a comparison".

At present, non-wage income for ordinary people is equivalent to 40 percent of wages, but in 1988 it approached 100 billion yuan, or 700 yuan per capita and a monthly income of 60 yuan.

The reasons why workers' non-wage income has grown so rapidly are: 1) Non-budget income has grown rapidly. The state has simplified government and released power, reduced taxes and allowed profits, allowing local government, each department and each work unit to gradually have a greater amount of non-budget income. In the First 5-Year Plan period, non-budget income was equivalent to 6.7 percent of the State's budgeted income, and by the Sixth 5-Year Plan period, it was 76.9 percent. 1987's non-budget income was 202.9 billion yuan, so the ratio approached 90 percent. The range of non-budget income grew tremendously. As we pursue policies that motivate growth in income, non-wage income will certainly increase.

2. Policies do not match and financial management is in turmoil, which has held up a green light for increases in non-wage income.

3. Prices have inflated, and the ratio effect has pushed non-wage income to new heights.

4. Workers' wage increases have been strictly controlled by the state, the wage level has been low, and we have been unable to raise it according to planned ratios, so side doors have opened up allowing non-wage income to boost workers' income.

Fluctuations in that workers' income structure as well as its use and position in consumer demand inflation determines different approaches to adjustment. Using economic methods and legal methods to adjust non-wage income, such as relying on favorable policies so that workers pay individual income adjustment tax, implementing key point inspection, established strict measures to deal with those who obtain income in violation of the law or regulations; we cannot blindly restrict wage

increases. The distribution of non-wage income is very uneven. Restricting wage increases will lead to a situation where some workers' income level falls, wages have a stimulating capability. Restricting their increase will lead to a contraction, which will not be advantageous to controlling the growth in consumer demand, stimulating wages is the primary goal of wage reform. Using wage freezes to control the growth in consumer demand will not solve this "pressing need," and will stimulate what is already alive and kill what is already dead.

We believe that we must preserve planned wage increases according to ratios under conditions of increasing economic stability, and strengthen medium-range planning for increases in the wage range.

### Shanghai Confronts Increased Unemployment

HK 140808/89 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 0730 GMT 8 Aug 89

[Report: "Number of Jobless People Increases in Shanghai"]

[Text] Shanghai, 8 Aug (ZHONGGUO TONGXUN SHE)—Sources from relevant departments said that the number of jobless people in Shanghai has increased in recent years. By the end of May this year, there were a total of 54,800 jobless people in the city and urban areas of this municipality. Some 30,000 of them, or 55 percent, were originally employed. Compared with the same period of last year, the total number of unemployed workers in the first 5 months increased by 9,800.

It was learned that 7.6 percent of the 30,000 jobless people who were originally employed had been dismissed by their work units due to discipline violations, and 16.7 percent of them resigned of their own accord. Some of them resigned their posts because of poor working conditions, and some were fired due to long-term absence from work. There were also some workers who planned to engage themselves in self-employed businesses when they resigned from their original posts, but later became jobless as the situation changed. Contract workers whose contracts were terminated made up 26.3 percent, and those who lost their jobs in small collective units and private businesses made up 4.3 percent.

Of the total unemployed workers, 31 percent were secondary school graduates. Most of them had a comparatively good economic background and did not wait for long before getting jobs. Other personnel, mainly criminals released upon completion of reform through labor and reeducation through labor, and unused laborers over the age of 25, made up 14 percent of the unemployed.

The labor department of the municipal government has given priority to the placement of those who lost their jobs a long time ago, who have difficulties in their everyday life, and who are in an unstable mood and eager to find a job.

## TRANSPORTATION

### Shipping Begins on Sino-Soviet Border Rivers

OW 1207031089 Beijing in Russian to the USSR  
1600 GMT 10 Jul 89

[Text] Our correspondent reports that shipping on the Chinese-Soviet border rivers was restored on 10 July after an interruption of 26 years. On that day at 1000 in the morning, the cargo ship Lung Ho 302, carrying 600 tonnes of cargo, slowly left Harbin Port to the sounds of a cheerful melody for the Soviet Far Eastern port city of Khabarovsk.

A responsible worker of Harbin Port said that besides Harbin, shipping will begin on border rivers between the two countries on 10 July from the ports of Jiamusi and Fujin. On the Soviet side, shipping has been opened at Khabarovsk, Komsomolsk, and Poyarkovo.

The navigation inauguration ceremony was attended by an agricultural delegation from the Soviet Far East's Vostochnyy Port. The cargo ship Lung Ho 302 is scheduled to arrive in Khabarovsk Port on 15 July.

### Coastal Ports Handle More Foreign Trade Cargo

IIA 1007104289 Beijing CII Database  
in English 10 Jul 89

[Text] Beijing (CII)—China's 23 major coastal ports handled 74 million tons of foreign trade cargo in the first six months of this year, overfulfilling the target by 5.5 percent, the Ministry of Communications announced here July 7.

During the period, Chinese shipping corporations handled a total of 118 million tons of cargo, an all-time record. Meanwhile, coastal ports and inland waterways accommodated over 204 million tons of cargo, 7.4 percent more than the same period of last year.

The volume of coal and petroleum handled rose by 16.4 and 5 percent respectively over the same period of last year while the grain volume rose by 26 percent.

### New Highway Bridge To Span Chang Jiang in Anhui

OW 1507122389 Beijing XINHUA in English  
0933 GMT 15 Jul 89

[Text] Hefei, July 15 (XINHUA)—China will invest 300 million yuan (more than \$70 million) in building a new highway bridge to span the Chang Jiang River in Anhui Province.

An official from the provincial government said the bridge, located in Tongling City, will be 2,800 meters long and 20 meters wide, and its construction is expected to be completed within 5 years.

The new bridge will help southwest Anhui develop mineral resources, tourism and the local economy in addition to rationalization of the highway network.

Of the investment, \$50 million will come from a low-interest loan from Japan. An international public bidding will be held for purchasing building equipments and materials and for choosing the construction undertake, the official said.

### Liaoning's Dalian Port Slated for Expansion

OW 1107081289 Beijing XINHUA in English  
0645 GMT 11 Jul 89

[Text] Dalian, July 11 (XINHUA)—China will spend more than 1 billion yuan (about \$260 million) renovating the Dalian Port in northeast China's Liaoning Province.

The renovation will include the construction of the Dayaowan Harbor with a handling capacity of 50 million tons and 100 other projects to update facilities in the old port, said Wang Diandong, director of the Dalian Port Administration.

The first-phase construction of the new harbor is already under way. By 1991, two 30,000-dwt container wharves and two 25,000-dwt multipurpose berths are expected to be put into use, Wang said.

A 400 km expressway linking Dalian Port with Shenyang, the capital of Liaoning, is near completion and will be put into operation next year, he added.

### New Harbor To Double Shanghai Berth Capacity

OW 1208143589 Beijing XINHUA in English  
1357 GMT 12 Aug 89

[Text] Shanghai, August 12 (XINHUA)—China's top industrial city of Shanghai will build its largest harbor at Waigaoqiao, six kilometers southeast of the Wusongkou outlet of the Yangtze River, according to a municipal meeting held Thursday [10 August].

When completed, the harbor will have 40 to 50 berths accommodating ships of 10,000 tons dw [dead weight], equaling the total number of the existing berths in the city.

"Shanghai can not be a real international city without such a large harbor," Mayor Zhu Rongji stressed the importance of the project at the meeting. [sentence as received]

The new harbor area has a 4.5 kilometer-long coastal line and one kilometer in width with deep water.

## AGRICULTURE

## 1988 State Farm Statistics

40060661 Beijing ZHONGGUO NONGKEN /STATE FARMS AND LAND RECLAMATION/ in Chinese No 6, 4 Jun 89 pp 4-5

[Article by the Statistical Office of the Ministry of Agriculture's Department of State Farms and Land Reclamation: "Breakthrough Developments in 1988 State Farm Economy: Total Industrial and Agricultural Output Value Was 25.2 Billion Yuan, an 18.1 Percent Increase Over Last Year; 1.68 Billion Yuan Made in Profits, a 29.2 Percent Increase Over Last Year"]

[Text] 1988 was the 10th year of reform and opening to the outside. Across the nation, the state farm system was in deepening reform, overcoming difficulties in the economic environment, making breakthroughs in the development of building production and further strengthening the economy. Statistics show that the state farm society's total output value reached 41.9 billion yuan (included in this was 36.1 billion yuan as the total industrial and agricultural output; according to the 1980s fixed price plan, this was 25.2 billion yuan, an 18.1 percent increase over the previous year), the state farm national production total output value was 17.8 billion yuan, the state farm national income was 17.7 billion yuan and the actual profits 1.68 billion yuan, a 380 million yuan increase over the previous year, which was a 29.2 percent increase. Since the 3d Plenary Session of the 11th CPC Central Committee, this was the biggest year in 10 consecutive years of increases in the total output value of industry and agriculture in the state farm system.

## I. Agriculture

The total agricultural output value in 1988 was 9.98 billion yuan (fixed price, and the same hereinafter), a 4.4 percent increase over the previous year. This was 39.6 percent of the total output value of industry and agriculture, down from 44.7 percent the year before. In the total output value of agriculture, planting output was valued at 5.95 billion yuan, equal to 1987; forestry output was valued at 1.56 billion yuan, up 0.6 percent; animal husbandry output was valued at 1.67 billion yuan, a 17.6 percent increase over 1987; sideline industry was valued at 510 million yuan in output, an increase of 18.6 percent over the previous year; and the fishing industry's output value was 290 million yuan, a 38.1 percent increase.

The state farms covered 510 million mu in land area. Of this, 65.5 million mu were under cultivation, up 210,000 mu from the year before. Forested areas covered 35.79 million mu (of which, 5.93 million mu were in rubber fields), a 4.4 percent decrease from 1987; 227 million mu consisted of grasslands, no change; 1.142 million mu were wetlands, a 3.8 percent increase.

A. Crop sowing areas covered 6.117 million mu. Of this, 4.424 million mu were in legumes. The total grain output was 8.94 million tons, a per mu yield of 192 kg, and a 2.7

percent increase. Of this, soybean output was 1.263 million tons, a yield of 95 kg per mu. The total output of sugar was 8.49 million tons, which was a 12.5 percent increase over 1987.

B. The total output of dry rubber was 213,000 tons, an increase of 1.0 percent.

C. The total output value of tea-leaves was 40,000 tons, an increase of 10.3 percent. The total output of ginseng was 1.674 tons, a 10.9 percent increase.

D. In livestock production, there were 451,000 head of dairy cattle, 7.7 percent more than the year before. The number of pigs at the end of the year was 3.41 million, 227,000 more than the year previous, a 7.1 percent increase.

The output of meat was 315,000 tons, a 10.1 percent increase over the year before.

Milk production was 846,000 tons, up 7.8 percent, higher than the national rate of 11.7 percent. The output of milk from the state farm system constituted 22.8 percent of the national total of milk produced.

The output of poultry eggs was 152,000 tons, a 20.3 percent increase.

The output of deer's antlers was 493,000 tons, a 14.5 percent increase.

The output of honey was 32.47 million tons, a 31 percent increase.

E. Production in the fishing industry continued to build upon the foundations of the past several years, again developing greatly in 1988. The year's output of aquatic products was 163,000 tons, a 28.4 percent increase over 1987, and 9.5 percent higher than the national rate of increase.

## II. Industry

The total output value of industry in 1988 was 15.2 billion yuan, a 29.2 percent increase over 1987, 60.4 percent of the total output value of industry and agriculture. The actual benefits in taxes were 2.45 billion yuan, a 44.6 percent increase. Of this, 1.516 billion yuan were profits, which was a 51.6 percent increase. Light industry developed rapidly in 1988, reaching a total output value of 11.1 billion yuan, a 31.1 percent increase; heavy industry showed an output value of 4.15 billion yuan, which was a 24.6 percent increase.

The output of major industrial products was as follows:

Product	1988	Percent of Increase From 1987
Electric energy	1.33kwh	15.7
Raw coal	6.48 million tons	14.4
Synthetic ammonia	112,000 tons	-3.2
Chemical fertilizer	140,000 tons	-1.1
Cement	2.149 million tons	22.3

Product	1988	Percent of Increase From 1987
Machine-made paper and cardboard	349,000 million tons	16.2
Processed sugar	394,000 tons	10.0

### III. Fixed Assets Investments

In 1988, the national state farm system achieved 3.76 billion yuan in fixed assets investments, an increase of 930,000 yuan over 1987. This was a 33.9 percent increase, higher than the national rate of 18.5 percent, and the largest single yearly increase in recent years. Investment in production construction was 2.98 billion yuan, 79.3 percent of the total, and a 31.3 percent increase over the year before. 1.84 billion yuan was invested in capital construction, or 48.9 percent of the total amount invested. Nationally, 427 million yuan were invested, which was 23.2 percent of the investment in capital construction.

There were 2.26 billion yuan in newly added fixed assets. Newly added production capacity was: 4.78 billion mu in cultivated land; 1,252 large- and medium-sized tractors; 2,664 small-sized and walking tractors; 2,605 trucks; 10 constructed reservoirs (with a capacity of 40.07 billion square meters); 7.77 billion mu in forestation; 90,000 mu in wasteland reclaimed for rubber; 72.5kwh of generating equipment; 2,310 km of transmission lines; 106,000 school seats; and 13,000 hospital beds.

### IV. Construction and Transportation Industries

There was a further deepening of the reforms in the management system, and economic benefits were enhanced somewhat. The entire year's output was valued at 2.57 billion yuan, with 45 million yuan handed over in tax revenues, and a total volume of 91 million yuan in profits.

The transport industry also developed rapidly. At the end of 1988, the state farm system nationally had a variety of means of transport: 17,496 freight-hauling vehicles, with a tonnage of 84,806; 1,305 passenger vehicles, with a capacity of 50,421 passengers; 339 motorized cargo vessels, with a tonnage of 19,787 and a passenger capacity of 11,701. The various means of freight transport altogether had a turnover of 3.69949 billion ton-km; the various means of passenger transport altogether had a turnover of 2.78177 billion passenger-km. The total output value of the transport industry was 980 million yuan, with profits amounting to 75 million yuan.

### V. Commerce, the Catering Industry, the Service Industry and Commodities for Export

In 1988, the national state farm system had a sales volume of 9.47 billion yuan in commerce and the catering industry, while the service industry's business income was 220 million yuan.

Complying with the strategic plan of the CPC Central Committee and the State Council to develop an

economy oriented to the outside, every reclamation area did its utmost to develop products which would earn foreign exchange through exports, and further expand foreign economic exchanges. In 1988, the total amount of revenue from exported goods was 2.53 billion yuan, a 25.6 percent increase over 1987. In this, 1.45 billion yuan was gained from the export of industrial products, a 35.9 percent increase.

### VI. Research, Education, and Health

In 1988, the various scientific and technical achievements of the entire state farm system were awarded 26 national and departmental level prizes. Of these, 2 were first-class, 8 were second-class, and 10 were third-class prizes. Eight projects accomplished the "bumper harvest plan," 7 popularized high-output technology, for 82.43 million yuan in newly added income. Included were 80,000 mu of high-output rubber fields, with each mu yielding 10 kg of dry rubber, a 12 percent increase in production; 2.2 million mu in high-yield, cultivated soybean fields, with each mu surpassing by 17 kg the constant per unit yield of the last three years, an 18 percent increase; production of the hybrid vegetable oil "Qin Oil No 2" could be increased by 30 percent; and high-output dairy cattle showed a year's increase of 165 kg per head. The national key technical development project "Experimental reform and development system for middle-aged bud grafting and rubber tree tapping" demonstrated a development of 10,000 mu, equivalent to each mu increasing its output of dry rubber by 13 kg. The series of products produced under the "Huangfeng Ginseng" label by the No 1 Ginseng Field in Jingyu Xian, Jilin, was awarded the gold medal at the Beijing International Invention Exhibit.

There was a total of 11,223 schools in the entire system in 1988, with 220,000 faculty and staff; there were 2.277 million students, with 489,000 graduating during the year. Included in these totals were 17 institutions of higher education, having 14,000 students, and 3,600 graduates that year; 61 middle-level vocational schools, with 18,000 students and 4,800 graduates that year; 2,042 ordinary middle schools, having 838,000 students and 269,000 graduates in 1988; 14 technical schools, with 6,300 students and 1,500 graduating in 1988; 209 workers' middle schools, with 67,500 students and 19,000 graduates that year; 8,774 elementary schools, with 1.296 million students and 194,000 graduates that year.

Health facilities were further developed, with reform of medical treatment conditions. In 1988, there was a total of 17,451 medical units in the system, having 72,253 hospital beds and 83,511 medical personnel, 33,236 of whom were doctors.

### VII. Labor, Wages, and Population

At the end of 1988 the number of workers was 5.18 million, 50,000 more than the year before, and a 1 percent increase. Included in these totals were 4.68

million farm workers, 210,000 workers in independent industries, 96,000 workers in independent construction industries, 32,000 workers in independent businesses, and 14,000 workers in independent transport industries.

Among state farm workers, 4.41 million were permanent employees, and 380,000 under the contract system.

Among farm employees, 3.72 million were workers, or 79.5 percent; 63,000 were technicians, or 13.5 percent; 307,000 were administrative and management personnel, or 6.8 percent; 450,000 were service personnel, or 9.6 percent. Of the service personnel, 330,000, or 7.1 percent, belonged to the various societal categories of school, hospital, governmental and legal personnel serving the farms.

The total workers' wages for the entire year was 6.96 billion yuan, a 930,000 increase over 1987, or 15.5 percent. The average worker earned 1,354 yuan, a 172 yuan increase, or 14.6 percent, but 21 percent less than the national average.

The production rate for all personnel was 4,582 yuan, a 16.2 percent increase over the previous year, and higher than the rate of increase for wages.

The production rate for farm workers was 3,389 yuan.

The production rate for industrial workers was 15,218 yuan.

In 1988, the total population of the nation's state farms was 11.54 million people, an increase of 2,000 people over 1987. The population's birth rate was 12.9 percent, the death rate was 4.1 percent; the population's natural rate of increase was 8.8 percent, lower than the 14.2 percent natural rate of increase for the nation.

### Role of Chemical Fertilizer in Agriculture

400605206 JINGJI RIBAO in Chinese 15 Apr 89 p 2

[Article by Lin Zhenxiong 2651 2182 3574, Lin Jian 2651 1017, and Zhou Yangsheng 6650 7122 3932; "Two Aspects of Fertilizer Use"]

[Text] Chemical fertilizer produced in China in 1987 reached 80.64 million tons (conversion to standard), putting China in third place, after the Soviet Union and the United States. The average amount of chemical fertilizer used per mu was 13.9 kg, more than double the world average of 6.3 kg per mu. Even so, the need of China's villages for more fertilizer continues unabated, and its supply and demand remain in a continuous state of crisis. During the first quarter of this year, the cost of chemical fertilizer rose another 29 percent as compared to the same period last year, but the peasants continue to complain about not being able to purchase chemical fertilizer at a cheaper price.

In face of this expanded demand by Chinese agriculture for more chemical fertilizer, and because some comrades feel that fertilizer production is limited, and the need is

great, they propose to step up development of China's chemical fertilizer industry to increase production. Others consider it as a link in the process, and propose to control "official profiteering" to cut down on intermediate "middle-man" steps. We feel that moderating the tight supply and demand aspects of the problem to propose a series of solutions cannot eliminate the difficulty posed by an expanding need for chemical fertilizer. We must, instead, make an overall study and analyze the present ever expanding need of Chinese agriculture for more chemical fertilizer. And it is on this basis, that a corresponding countermeasure must be sought.

In the petroleum agriculture model, chemical fertilizer is the important material basis for increased agricultural production. The experiences of petroleum agriculture in all developed countries also show that among various measures to increase production, the effectiveness of chemical fertilizer in increasing production generally ranges between 30 and 50 percent, so that the use of chemical fertilizer in global agriculture today continues to increase yearly by about 5 percent. In China, use of fertilizer in cultivated fields has had a history of more than 80 years. Before Liberation, the volume used was negligible, but after Liberation, chemical fertilizer use shot up, from less than 5 kg used per mu in the 60's to more than 10 kg in the 70's. According to information revealed at the All China Conference of Directors of Chemical Industry Departments and Bureaus, chemical fertilizer production in China for the next 12 years needs to attain three steps which are production goals: to reach 100 million tons by 1990, 120 million tons by 1995, and reach 150 million tons by the year 2000. This is to say that by the year 2000, the chemical fertilizer used per mu will be 28 kg (conversion to pure product).

However, simple dependence on chemical fertilizers only, will base increased production of staple crops on increased chemical fertilizer use, which is like an act of drinking poisoned wine to quench thirst, a shackles that cannot be divorced from petroleum agriculture. Along these lines, lessons learned by developed western nations leave a deep impression. Many scholars from developed nations have been directing their attention to this problem where chemical fertilizer use has reached a state where no more can be used, and they are joined in a declaration that says: "Land that has invariably depended on inorganic chemical fertilizer has, in many aspects, been thrown into a vicious cycle." The dependence of petroleum agriculture on chemical fertilizer has its deadly weak points. While excessive use of chemical fertilizer greatly increases energy consumption on one hand, it is also using nonrenewable energy sources to replace renewable energy sources, and using unrenewable resources to replace renewable resources, resulting in a paradoxical situation of continually increasing energy consumption and decreasing availability of resources, with no resolution. Then, what are some of the disastrous effects of this dependence of Chinese agriculture on chemical fertilizers?

1. Diminishing benefits of increased production which will continue. The amount of chemical fertilizer used in Chinese agriculture had been increasing rapidly ever since the mid 1960's. During the first few years, marked increases in production were noted, but later on, particularly in the last few years, production with chemical fertilizer use had shown a continual drop each year that corresponded with the increasing amount of chemical fertilizer used. In Shandong Province in the 60's, each jin of nitrogen chemical fertilizer would increase yield of staple crops by 1.5 to 2.2 kg, but this figure had dropped from 0.9 to 1.4 kg in the 70's. In Zhejiang Province in the 1960's, each jin of chemical fertilizer increased yield of food crops by 2.5 to 3 kg, but only by 1 to 1.5 kg now. In the Suzhou area, each jin of chemical nitrogen fertilizer was only able to increase the yield of rice by 0.25 to 0.75 kg. Again, take Wuxi in Jiangsu Province as an example. In 1979, its fertilizer use had attained levels of developed countries, reaching as much as 189 kg used per mu, but the expense of additional fertilizer use exceeded any returns from the increased production. This had caused agriculture to experience diminishing crop productivity with chemical fertilizer use on one hand, and to be squeezed between increased chemical fertilizer use and increasing costs on the other, finally to be thrown into a vicious cycle of the more yields are increased, the greater the losses, a situation from which it could not extricate itself.

2. Gradual depletion of soil fertility. According to surveys by the state Bureau of Statistics, the illogical structure of fertilizer use in China's cultivated acreage is becoming increasingly serious. The yearly increase in chemical fertilizer use has seriously destroyed the soil's sound structure and created a drop in soil viability. At present, the amount of organic matter in China's cultivated acreage is only 1.5 percent, which is obviously lower than levels of 2.5 to 4 percent for the United States and other countries. According to a report carried July 18, 1988 in *RENMIN RIBAO*: "The black soil of Manchuria that used to be 'so fat that oil floated on top' has, in recent years become very poor, because of dependence on chemical fertilizer and disregard for contributions from peasant household fertilizers. The soil is not just poor; it has also become hard-panned as boards, and its ability to retain water and fertilizer so diminished that its water and fertilizer supply properties are greatly weakened. Thickness of the black soil layer is reduced 0.5 cm to 1 cm yearly, 10 times the permissible amount of soil erosion, and 100 times the rate of soil formation occurring within this same time frame, its organic content dropping at the rate of 1 percent yearly. In 20 years, soil fertility has dropped one-third. As fertilizer applications only supplement the soil with one-half the nutrients consumed, and since the return rate of organic matter to the soil is not even 50 percent, the soil simply becomes increasingly poor."

3. Increasing imbalance in the nutritional value of food produced as the years go by. Because of such chemical use in the petroleum agriculture, the protein content in

staple crops has been showing a continuing yearly drop. Even when yields are high, nutritional content shows a corresponding drop. This creates an imbalance in the supply of nutrients in food consumed by people, which in turn affects their health.

4. Increasing contamination of the environment. Excessive use of chemical fertilizer leads to contamination of the agricultural ecological environment, and causes a breakdown in the soil's ecological system, bringing with it a host of environmental problems. Studies show that in agricultural use of chemical fertilizers, about 30 percent of it is generally absorbed by crops, and the rest goes into the surface groundwater or underground water table. According to surveys by agricultural ecological workers, because of excessive nitrogen fertilizers used in some areas, the content of nitrates, nitrosamine, and other carcinogenic substances in vegetables, gourds, and underground water has increased, and exceeded permissible levels in some cases. At present, while chemical fertilizer contamination is not as widespread and serious as that for agricultural pesticides, its damaging effects on human health and environmental quality should command our attention and precaution.

5. Declining supply of raw materials for processing chemical fertilizers. Whether or not China can produce 150 million tons of chemical fertilizer by the year 2000, and increase the nitrogen:phosphorus:potassium ratio from its present 1:0.2:0.012 to 1:0.46:0.03 depends on the assured availability of energy sources and raw materials. Actually, there is no guarantee that any of the raw materials as required here will be available. It is difficult to see how this goal can be attained even if we consider only deposits of raw material resources, not to mention China's industrial exploration and processing capabilities. We need not mention how critical the supply is for natural gas, which is an important raw material source for nitrogen fertilizer production, but talk about how the refined materials from phosphate rock so essential in the fertilizer industry can only last for another 7 years at this rate of fertilizer consumption. Supplies of soluble sylvite that is needed in the potash fertilizer industry at present are still being surveyed and explored. It can also be said that China's phosphate rock resources are not plentiful. It can be seen then that dependence on chemical fertilizers alone to increase production in a petroleum agriculture can only lead China's agriculture into a dead pit full of bad luck, a situation that is determined by facts facing these unrenewable resources.

6. Difficulty in raising investment capital for chemical fertilizer production. According to preliminary calculations, if chemical fertilizer applied to all the cultivated acreage in China is increased on the average, by 28 kg (converted to pure product) per mu by the year 2000, it will require an additional investment of 60 billion yuan, which amounts to 5 billion yuan per year invested on this item alone. But internal accumulations of savings in China's agriculture since 1978 only add up to about 6 to 10 billion yuan. Obviously, dependence on agriculture's own savings to expand developments in the chemical

fertilizer industry is impossible. At the same time, the state cannot invest in the chemical fertilizer industry on such a large scale. What is more important is that the economic efficiency of a large number of large and medium size fertilizer plants is quite low, with the plants making only marginal profits or operating at loss. Whether it is using agriculture's own savings, investment by the state, investment utilizing foreign exchange, or investment by several localities together, it can be seen that raising capital for the chemical fertilizer industry is extremely difficult.

7. Loss of balance in the credit and loan relationship. In recent years, because of incessant calls from certain sectors to relieve and basically resolve the crisis in chemical fertilizer supply, these resounding attacks have unavoidably affected the direction of bank investments and increased the confusion in bank investment policy with respect to raising money for the chemical fertilizer industry.

#### Native Yellow Cattle Crossbred With American Brahmans

40110024 Fuzhou FUJIAN NONGXUEYUAN XUEBAO /JOURNAL OF FUJIAN AGRICULTURAL COLLEGE/ in Chinese No 2, 18 Jun 89 p 132

[Article by Zou Xiaqing 6760 7209 7230 and Liang Xuewu 2733 1331 2976 Department of Animal Husbandry and Veterinary Science, Fujian Agricultural College]

[Text of English Abstract] Trials on crossbreeding American Brahman bulls to cows of the native breed, Southern Fujian Yellow Cattle, has been conducted since 1984. The result indicates that the crossbred offspring, Brahman-Min Cattle, have an obvious hybrid vigor with the characteristics of better body conformation, faster growth rate and more beef production. As the offspring grew to 20 months age, the average carcass weight and the net beef weight were estimated at 120.6 kg and 93.3 kg respectively. These indices are 61.8 percent and 70.7 percent higher than those of native cattle. The milking capability of Brahman-Min is about 2-3 times as much as that of native cattle. The hybrids are doing well in the poor conditions and have adapted to the subtropical environment. Their drafting ability increased by 40.3 percent. Furthermore, they are characterized as possessing tolerance to heat and resistance to piroplasmosis. This crossbreeding is thought to be ideal hybridized combination and the economical efficiency of raising this hybrid cattle are apparently higher than that of raising native cattle. This hybrid is acceptable to farmers in different areas of Fujian Province.

#### Commerce Ministry Says Pork Supply Sufficient

0W0708004989 Beijing XINHUA in English 1411 GMT 6 Aug 89

[Text] Beijing, August 6 (XINHUA)—The supply of pork will be sufficient in China in the rest of this year.

the ECONOMIC INFORMATION quoted sources from the Ministry of Commerce as saying today.

The ministry recently made an investigation into pig raising in the country's major pork producing provinces of Hebei, Shandong, Anhui, Sichuan and Jiangsu, the newspaper said.

The investigation showed that the amount of big porkers [as received] in stock in these provinces is large and most of them will be put on sale in August.

It said that the big porkers in stock in Hebei and Jiangsu Provinces were 9,958,100 and 15,573,000 head respectively, 6.31 percent and 2.4 percent more than in the same period of last year.

Meanwhile, the amounts in Shandong and Anhui Provinces were 15,688,000 and 11,671,100 head respectively, 3.1 percent and 1.1 percent less than in the same period of last year. The amount in Sichuan Province was 61 million head, about the same as in the same period of last year.

The investigation results also showed that compared with the same period of last year, the number of the piglings [as received] in stock was reduced in most of the provinces except for Jiangsu. This is because the prices of the feed have kept rising while the state purchase prices of big porkers are dropping.

In addition, the farmers have found it difficult to sell big porkers because the state cold storage and transport facilities are limited.

The Ministry of Commerce warned that if these problems are to be solved in time, pork production in some of the provinces may go down.

#### Guangxi Output of Sugarcane Increases

0W1708232189 Beijing XINHUA in English 1332 GMT 17 Aug 89

[Text] Nanning, August 17 (XINHUA)—Farmer in Guangxi Zhuang Autonomous Region turned out 1.1 million tons of sugarcane to the state in the 1988 refining season, 29 percent more than in the previous season.

A local government official attributed the increase to scientific cultivation and state preferential policy for sugarcane growers.

As one of the leading sugar producers in China, Guangxi expanded its sown area of sugarcane to 278,900 ha this year to increase the per-ha yield. Farmers grew high-yielding and drought-resistant varieties, and applied fertilizer in a scientific way.

The state tried to provide farmers with enough funds, fertilizer and pesticide, and increased the sugarcane purchase price.

**Heilongjiang Sown Area**

40060704a Harbin HEILONGJIANG RIBAO in Chinese 24 Jul 89 p 2

[Summary] In 1989 the sown area in Heilongjiang Province reached 127 million mu, an increase of more than 3,600,000 mu over 1988; the area sown to grain and soybeans is 109 million mu, an increase of 5,270,000 mu over 1988. This year the wheat area increased 6,670,000 mu, but the soybean area decreased 2,400,000 mu. In 1989 Heilongjiang agricultural funds will total 2.47 billion yuan.

**Hunan Cotton Area**

40060704c Changsha HUNAN RIBAO in Chinese 10 Jul 89 p 1

[Summary] The cotton area in Hunan Province is 1.5 million mu, an increase of 130,000 mu over 1988.

**World Food Program To Help Irrigate Qinghai**

OW 0908102389 Beijing XINHUA in English 0555 GMT 9 Aug 89

[Text] Xining, August 9 (XINHUA)—The World Food Program (WFP) will assist China in building an irrigation system in arid zones in northwest China's Qinghai Province.

The project includes the construction of two reservoirs, 121 irrigation canals, 190 kilometers of road, 400 hectares of windbreaks and the irrigation of 4,000 hectares land.

The WFP will provide the project with 5.44 million U.S. dollars worth of wheat and the local government is to earmark 32.56 million yuan for the project.

When the first phase of the project is completed, grain output in the arid Wulan County will increase 1.9 times, forest products 1.7 times, animal by-products 1.1 times and the annual per capita income 1.8 times.

Previously, a farmer in the county averaged only 130 kg of grain annually and the per capita income averaged 74 yuan.

**Sichuan Grain Storage**

40060704b Chengdu SICHUAN RIBAO in Chinese 25 Jul 89 p 1

[Summary] As of 10 July, Sichuan Province had put 1.162 billion kilograms of contracted grain in storage, fulfilling 83 percent of the task; and 396 million kilograms of contracted rapeseeds were put in storage, fulfilling 72.1 percent of the task.

## Analysis of Student Unrest at Major Universities

### Mood of Students

40080842a Hong Kong PAI HSING /THE PEOPLE/ in Chinese No 191, 16 May 89 pp 12-14

[Article by Chang Chieh-feng 1728 4814 7695: "From 1986 to 1989—Student Unrest and the Mood of Students"]

### [Text] Silent Campuses, Pent-Up Fury

With a starting point of 9 December 1986, the nationwide student unrest, which stopped abruptly on New Year's Eve 1987 and ended in Hu Yaobang's fall from power, Hu Yaobang's death became an added ingredient to the April 1989 demonstration by Beijing University students, a demonstration that lasted for many days in succession.

More than 2 years have passed. The student unrest of those days carried on its back the charge of rampant "bourgeois liberalization" and, under the distorted accusation by the official organs of public opinion, ended in despondency. After that university campuses became quiet. Although, during the 2 years since then, university students in various cities have taken to the streets to demonstrate, the demonstrations were not on the same scale, and the slogans of these small-scale student unrests were not "long live democracy, long live democracy." Even the students themselves thought that their concern for the country and society had gone down and they were even more indifferent to politics, and that on the campuses the atmosphere of democracy and discussion was much inferior to that in 1986 and 1988.

On 5 April of this year, Tiananmen Square was tranquil. The principal figures in the democracy movement did not take the opportunity to ask for amnesty for political offenders, but rather conducted activities on a big scale to commemorate the "Tiananmen Incident." The campus of Beijing University, except for a little more than 100 persons taking part in a "Democracy Salon" discussion, was also still and quiet. Inside and outside the campus wafted a languid air of "don't make trouble."

"We're not making trouble by touching off any incident, and we're definitely not making trouble for the May 4th Movement anniversary." Beijing University students told this writer.

These words still ring in my ears. Ten days later, a big-character poster that ignited a flame in the students' hearts appeared in Beijing University. Afterward, with Beijing University students taking the lead in going into action, followed by students of 23 higher schools in Beijing, a large contingent of demonstrators, numbering about 100,000, shuttled back and forth in a vast and mighty fashion between the northwest corner of Beijing and Tiananmen Square; and before the Monument to the People's Heroes, long-repressed intense emotions

burst forth (for reportage on this student unrest, see another article in this issue).

On the surface, this sudden, large-scale student movement appeared to be mainly a catalytic effect of Hu Yaobang's death, and in particular the students demanded the rehabilitation of Hu (who was dismissed from his post as party general secretary in 1987). Hu Yaobang fell from power because he was made responsible for student unrests, and to rehabilitate him would mean rehabilitating the student unrests of 1986. However, this demonstration, in which hundreds responded to a single call and in which a single spark turned in a twinkling into a blazing flame that shot into the sky, could not have been set off by one factor. The students' motives were pure, but their mood was complex.

### Contributing Factors to Student Unrest—Getting to the Root of the Matter

China is in a time of change, and the psychology of university students is naturally affected by the changes in the social environment. Why did the students take to the streets? After all previous student unrests, some people made some surveys and suggested countermeasures for solving the problem; unfortunately, the authorities did not take these countermeasures and, consequently, student unrests on a bigger scale broke out abruptly.

The Economic System Reform Institute in May and June 1988 separately conducted three surveys (see note) of university students, and, when analyzing the factors contributing to student unrests, got the following answers:

The September 1985 student unrest: 58.1 percent of the students thought that in first position was the "desire to arouse the consciousness of all the people about the miserable prospects for the nation."

The 1986-1987 student unrests: 62.4 percent of the students thought that in first place was the factor that "the students' consciousness of democracy and consciousness of participating in politics had been strengthened day by day."

The June 1988 student unrest: 76.3 percent of the students thought that it was caused by "the problem of unhealthy tendencies and corruption."

The analysis by the "task group on the readjustment of the social structure and interests during reform," which was responsible for these surveys, was that the surveys showed that many factors caused the student unrests, and that the most fundamental social factor was the existence in China's system of some malpractices that were difficult to overcome or eradicate within a short period of time. The university students are unlike other social strata; they have a strong sense of social responsibility and a highly intense consciousness of participating in politics. Therefore, faced with many malpractices in society, they are extremely dissatisfied.

The task group also thought that the university students, besides having a strong sense of social responsibility, have the following characteristics: They lack a profound understanding of society and have strong ideals about it; their demand for speed in reform and economic development is quite high, and they always want to solve China's main problems at one stroke; their demands in all aspects are quite high, and, under the circumstances in which it is difficult to satisfy their hopes and requirements, they often feel inhibited and hesitant and seek an opportunity to vent their feelings; they have a sense of superiority, and this makes it psychologically difficult for them to support reforms that touch on their vital interests; and they have a fairly strong psychology of reverse reaction, and as a big-character poster put it, "don't believe anything the higher-ups say, don't believe anything China says, and don't believe anything the organizations say."

The task group affirmed that the main motive of the students who take part in student unrest is concern for their country and people, and that they want to contribute their strength to the vigorous development of China.

#### **Opposing Suppression, Advocating "Dredging"**

"Some people in society do not understand the students, and they take unsuitable countermeasures against them, causing the problem to become greater and leading to student unrest." "Under the present circumstances, other than demonstrations there is no other effective channel to express their wishes and opinions."—these are, respectively, the factors that occupied second place in the previous two student unrests. Accordingly, the task group proposed the countermeasure of "dredging," including:

First, they suggested that a direct dialogue be held between the government and the students. In the surveys, the students paid most attention to this way of doing things, with 63.8 percent choosing this option. The task group, thinking that holding a dialogue after a student unrest began would be difficult, suggested that the relevant departments specially set up organizations to maintain a daily dialogue with the university students, and that in all cases, without exception, students who came to hold a dialogue should be received.

During the demonstrations in Tiananmen Square in April of this year, the students shouted many times, "Li Peng, dialogue." This sentiment was completely identical to that in last year's surveys; unfortunately, the surveys and suggestions of the Economic System Reform Institute did not arouse the vigilance of the leadership stratum!

Next was the suggestion for campus democracy. In the surveys, the second choice of the students was that "a public forum for oral discussion be set up in the university." The actual situation was that the tiny "Democracy Salon" of Beijing University did not get an opportunity to develop normally.

The conclusion of the task group's analysis of the student unrests was: in the countermeasures, "dredging" should be made primary and coercion secondary; and work should be done to guide, digest, disperse, and weaken all the causes of student unrest.

The secretary of a university CYL [Communist Youth League] committee took a similar view. He pointed out: In the long-term view, no matter whether it is strengthening the consciousness of democracy or establishing a good social order, worker protest movements and student unrest are both normal phenomena and there is no need to be alarmed about them. Providing that a student demonstration has leadership and is orderly, let the students demonstrate and blow off steam; otherwise, they will do so in other forms. At present, the work of schools still stops at simple "blocking," looking upon the students' taking to the streets as an important matter that must not be allowed, but "blocking" cannot get to the root of the problem.

#### **Hooligans Stir Up Trouble, Students Are Beaten**

A youth periodical on the mainland at the end of 1988 sent reporters to Xian to conduct a survey. They discovered that around the time of the December 9th Movement anniversary there were five demonstrations or strikes by university students, and they summed up the social causes of them: the students were full of resentment about price rises, official trickery, and unhealthy tendencies, and once an opportunity arose they gave vent to their resentment; public security is in a state of chaos, and there were some youths of low quality in society who gathered in crowds and scuffled for fun, and there were frequent incidents on and off campus in which students were beaten.

In recent years cases of students being beaten by hooligans have become common. According to the periodical's survey in Xian: On the evening of 16 November 1988, a graduate student of Northwest Industrial University was, without cause, beaten by a member of the school's security patrol; on 20 November, at Xian Metallurgical College, because of a dispute with a student with whom he was playing ping pong, a cook struck and injured the student; and on 6 December, a worker's son, taking advantage of the press of a crowd buying food, stole a student's wallet, but he was discovered by another student, so he rounded up two other workers' sons and with knives and hatchets they hacked the student's head, inflicting serious wounds. These incidents led to student demonstrations and protests.

This situation not only occurred in Xian, there was the same situation in Beijing. On 9 November 1988, Beijing University held a cultural festival, and the students had asked Fang Lizhi [2455 0536 0037] to deliver a lecture on that day. While Fang Lizhi was lecturing, several students in a dining hall were beaten unconscious by hooligans. The students sought out the campus police, who were all staring at Fang Lizhi, but they did nothing about it. Later, the students wrote a big-character poster

about this incident, a poster that the campus police tore up. All the campus police feared the hooligans, thinking "If we had done something about it, the hooligans would have beaten us!"

The internal and external campus environments have caused the students to harbor many resentments, which have piled up bit by bit.

When analyzing the 1986 and 1987 student unrests, a teacher who does student work pointed out that the students' social and psychological factors must be taken seriously. He concluded that the student unrest this time, within a few short days, had spread to 10 cities, and that the rumor that demonstrating students in Shanghai had been beaten was a key factor, as in several cities there appeared the slogan and watchword "support Shanghai."

Similarly, the blows struck by public security personnel in the recent student unrest enraged the students and, later, severe punishment of the assailants became one of their demands.

The students of Qinghua University, who originally had not been all that worked up, held a large-scale sit-in and strike because their fellow students had been beaten.

#### Youths Are Very Anxious, But to Whom Can They Appeal?

Not attaching importance to studying the student's psychology made the authorities, time and again, unable to draw lessons from the student unrests, and they continued to repeat their past mistakes.

On the surface there appear to be many types of university students. A student once divided today's university students into several main types: First, there is the academic type who concentrates on his studies in preparation for becoming a graduate student or going abroad after graduation. The university students who strive for democratic discussion are basically of this type. Because they strive only for academic discussion, they do not take any social action. Another type is the action-oriented type who mainly, during his time in school, acts as a businessman or an organizer of student groups. Still another type is the decadent type who neither studies nor takes action. All day long he pays no proper attention to his duties and just drinks and plays mahjong.

If university students are divided by their daily lifestyles, they naturally manifest different kinds of behavior. However, no matter what their external behavior is like, as contemporary university students they have an attitude that is fairly applicable to all of them. A survey of Beijing University students taken after a student unrest showed that 90 percent of them "frequently had" or "always had" worries, and that 56 percent of them thought that speaking of love meant hoping to find a friend of the opposite sex to whom one could pour out all the dejection in one's heart. Why do university students have these worries? Following are some of the factors that cause them to worry: 1) Too little pocket money,

and no money to buy books, 2) Prices are high and food is too expensive, 3) They don't know how they will make a living, 4) They live in solitude, 5) Their goals in life are unclear, and 6) They are lonely and have no close friends, and their parents are not at their side...

It is impossible at the present time for university students to receive the set of traditional ways in educating and taking care of them. The survey showed that 72 percent of the students are not interested in the CPC and CYL organizations, 83 percent of them are not interested in political studies, and nearly 90 percent of them are dissatisfied with the university's courses in political theory. Only 5 percent of the students, when encountering something worrisome, poured out their troubles to the teacher in charge of a class or to their counselor.

With the current way of managing higher schools, the students are in a position in which "even though they have a myriad of refined feelings, to whom will they speak of them?" Nobody understands their mood.

#### Deep Preoccupation With Family, National Affairs

Besides their worries, what, in the final analysis, are the students concerned about? In 1988 a mainland periodical at Northwest Industrial University jointly held with the university's CYL committee a student symposium on the topic of what issues are of most concern to students now.

A total of 153 students took part in this survey, including first- to fourth-year undergraduates and some graduate students in various specialties in liberal arts, science, engineering, and administration. The results of the survey are listed in the following table.

Rank	Issue of Concern	Number of Persons	Percentage
1	Individual school work	153	100
2	International situation	153	100
3	Food and prices	151	98.7
4	Reform	141	92.2
5	Major national issues	135	88.2
6	Assignment after graduation	109	71.2
7	China's sports	73	47.7
8	Party's style and society's mood	59	38.6
9	School building	53	34.6
10	Love and marriage	33	21.6

The above-mentioned survey shows that even if university students have many things about which they are agitated and dejected, to the extent that some of them behave in a decadent fashion, at the bottom of their hearts they are still most interested in the major issues of the nation and no change in policy or society fails to touch their nerve. Now matter how those who banter modify their tune, in the university students' subconscious the main melody of "family affairs, national

affairs, world affairs, and facts" still keeps its original shape when seeming to be out of tune.

**Note:** Personnel of the Economic System Reform Institute conducted three surveys before, during, and after the student unrest in Beijing University in 1988, which were taken separately: the survey before the unrest was taken on 26 May with 460 persons in the sample, the survey during the student unrest was taken on the morning of 8 June (the students had scheduled their demonstration for the afternoon of that day), with a sample of 250 persons; and the survey after the student unrest was taken on 13 June with a sample of 271 persons. A report on the surveys was published in the October 1988 issue of ZHONGGUO FAZHAN YU GAIGE (CHINA: DEVELOPMENT AND REFORM).

### Demand for Democracy

40030542b Hong Kong PAI HSING (THE PEOPLE) in Chinese No 191, 16 May 89 pp 13-15

[Article by Chang Chieh-Feng: "Inside and Outside the Campus, From Top to Bottom the Demand Is: Democracy"]

[Text] Beijing University, the birthplace of the May 4th student movement of 70 years ago and China's highest seat of learning, once again, during the student movement to mourn Hu Yaobang, has taken the leading role—the first organized demonstration by higher school students and the first higher school to reject the existing student association and organize a separate action committee.

Students of the Chinese People's University said: The Beijing University people have a "Beijing University spirit," but we cannot find a "Chinese People's University spirit."

Students of Shanghai's Fudan University said: Shanghai is a commercialized city, and Shanghai students put quite a bit of emphasis on material benefits; they are not politicized like the Beijing University students.

During this April's student unrest, in which Beijing University students were active participants, the organizers of the "Democracy Salon" at Beijing University played an important role.

Over the past several months the students who have run the "Democracy Salon" have striven vigorously for campus democracy; once the mourning for Hu Yaobang began, they devoted themselves to striving for democracy for the entire country.

The "Democracy Salon" appeared on the Beijing University campus after the summer vacation of 1988. Its predecessor was the "Lawn Salon," which began to appear last year when the May 4th Movement was commemorated. The "Lawn Salon" drew a great deal of attention, but it was stopped after being held five times (see the report on it in issue No 174 of this periodical). The "Democracy Salon" carried on its style of free

discussion. Its form was also that of students' gathering on a lawn to discuss things, and before the April student unrest a total of 15 sessions had been held.

To avoid "rigid scrutiny" by university authorities, the "Democracy Salon" had no specific responsible person, but rather a collection of enthusiastic "mainstays." Every Wednesday afternoon the students would gather in front of a statue of Cervantes at a place not far from an unnamed lake. Because it was impossible to publicly publicize the salon, not many persons took part, the fewest being several dozen and the most one or two hundred. On the campus of Beijing University, which has nearly 15,000 students, this tiny scene of bustle and excitement was nothing more than a ripple on the surface of a tranquil lake.

### Disruption of "Democracy Salon"

The students stressed that the "Democracy Salon" was for academic discussion. The topics discussed in the past included "Breakthrough in China's Democratization," "The New Authoritarianism," and "The Commodity Economy and Democratic Progress"—all subjects that intellectual circles in China frequently discuss. Once, probably to make themselves seem sensitive, the authorities invited democracy movement figures, and Ren Wanting (0117 3979 3957), chief editor of ZHONGGUO RENQUAN (CHINESE HUMAN RIGHTS), who was arrested and imprisoned in 1978, delivered a lecture in which he introduced the history of the years of the Xidan Democracy Tablet. However, the sponsoring students said that when they invited Ren Wanting they had not intentionally made contact with a "dissident"; they just wanted to understand this part of history and did not know that Ren Wanting had been a "counterrevolutionary."

"There is very little of this kind of discussion between the university's departments, and the original intention for holding the 'Democracy Salon' was to let schoolmates discuss topics of common concern. Basically, it was not a political movement. The school probably misunderstood."

The organizers gradually felt pressure upon them. More than one schoolmate was sought out by the party committee for a talk and warned: "Do not organize this kind of activity. Students should not get involved in political activities!"

At the end of March the interference by officials escalated. The 13th "Democracy Salon" was held on the sensitive anniversary of the March 29 Incident. Originally, an assistant professor of economics had been invited to deliver a lecture. He received a notice from the Beijing Municipal CPC Committee telling him that he could not go to Beijing University to lecture, and the student responsible for arranging his lecture was also "advised" by the faculty not to organize this kind of activity again.

The "Democracy Salon" supporters felt that this kind of pressure was really unbearable, and they demanded understanding and dialogue. On 3 April the students posted an open letter, in the form of a big-character poster, demanding the right of students to hold legally organized forums. This open letter, which was sent to the university's president, secretary, CPC committee, student work department, and CYL committee, expressed the students' hope for carrying on Beijing University's spirit of freedom and democracy. The letter said: "At Beijing University, this higher institution of learning, there should be full freedom of speech and full academic freedom, and some irrational limits, which were set for various reasons, should be abolished. Beijing University should be a special area in which political democracy is practiced, so as to make contributions toward spurring the progress of Chinese democracy."

#### Students Demand Dialogue With the University

The students expressed the hope that the university would set up a channel for dialogue, and suggested: 1) The university should remove all sorts of pressure, support the "Democracy Salon" and similar activities, and give students the freedom to invite well-known scholars. 2) The precise definition of the above-mentioned freedom is: Two days before a salon is held, the spontaneous organizers of it will give a list of those invited to the university, and the university will guarantee, except for those people who have been stripped of political rights, that those invited, without exception, are permitted to attend. 3) The lawn in front of the statue of Cervantes should be made the fixed venue for "Democracy Salon" activities; the university may send some people to take part in every salon's activities and to help maintain order, but it should not use this as a pretext for interfering in its activities. 4) The university should guarantee the legal behavior of the spontaneous organizers without putting pressure on them, and should not, after the act, retroactively punish them or make special arrangements with regard to their graduation.

This open letter, which was signed by 57 persons, was considered by the students to be a new form of expressing opinions.

The date 5 April was one for holding a "Democracy Salon," and the students had invited Beijing University teacher Li Shuxian [2621 3219 8300] to support them. With regard to the fact that the university had not replied to the students' open letter, Li Shuxian said he would convey the students's complaint to the university. The students then discussed the question of whether they should hold the "Democracy Salon."

"No matter whether a lecturer comes, no matter how many schoolmates come, we will gather here every Wednesday!"

Unable to get the university's formal recognition and unable to post notices publicizing the salon, the decided at this meeting to make this position the rule.

That the Beijing University students had to strive for freedom in even this very small activity is pitiful. After the open letter, the deputy chairman of a certain department of the university said that on the surface the demand for holding a "Democracy Salon" was lawful, but that it conflicted with some of the university's regulations! He went on: "Wang Dan [3769 0030] Isn't he just someone boosted by Hong Kong reporters?"

University student Wang Dan, whose name does not appear often in foreign news agency reports, is one of the organizers of the "Democracy Salon." At the beginning of April, when interviewed by this periodical, Wang Dan said that he did not advocate student demonstrations; progress in democratizing China was fairly slow, but taking to the streets would not solve the problem. He hoped that democracy would be striven for by peaceful, rational, and lawful means. A demonstration would entail pointless sacrifices; it was a common occurrence, but it was not the best way, he said. It should only be used when a sudden incident occurs and a strong expression of opinion is needed, and the students must not take to the streets regularly, he added.

This kind of sudden incident occurred very quickly. Under the circumstances in which there was no other way, the Beijing University students were the first to use this "not the best way."

#### College Students Polled on Reform of Job Assignment System

40050548 Hong Kong PAI HSING /THE PEOPLE/ in Chinese No 191, 1 May 89 pp 15-16

[Article by Xie Wanzen 6200 5451 6297: "Job Hunting—the Students Are at a Loss"]

[Excerpts] According to a poll of university students taken in 10 large cities by the Beijing Social Economic Science Research Center in May 1988 ("the poll" for short)<sup>1</sup> on the matter of job location preferences, close to 40 percent of the university students prefer working in the SEZ's and the open coastal regions after graduation, and almost another 40 percent prefer the large and medium-sized cities; very few want to go to the small towns and townships or the old revolutionary bases, the minority nationality regions, and the remote border areas (see Table 1).

Table 1

	Percentage
SEZ	12.2
Coastal open regions	27.3
Large cities	20.8
Medium-large cities	18.6
Small towns and townships	2.0
Old revolutionary bases, minority nationality regions, remote border areas	1.8
Rural areas	1.8
Overseas	8.3

For years, government departments in the western regions have worried about the "brain drain" that has exacerbated the imbalance in the distribution of qualified personnel. Reform of the university student assignment system in the last 2 years has changed the system of job assignment by the state and university students are free to look for work on their own. But if the students are free to choose their jobs as they wish, the distribution of human resources and job openings will be even more unbalanced, and this will create an even bigger problem. The Contemporary University Student Situation Study Group suggests that this is what makes reform of the university student assignment system so risky.

Besides job location, the poll also revealed the criteria on which today's university students base their job selection decisions. In order of frequency of citation as the most important criterion, they are: economic status (36.2 percent), social status (30.5 percent), comfortable work environment (13.3 percent), work that gives play to one's ability (12.7 percent), political status (7.2 percent.)

Economics is an important criterion in job selection. Several seniors in the Economic Information Department of China People University indicated that they want to work in the joint-venture companies. They pointed out that the joint-venture companies pay as much as 300 yuan a month, while government organs pay at most a little over 100 yuan. Moreover, workers in joint-venture companies take turns working overseas. One has to wait at most 3 to 4 years for his or her turn. During the enthusiastic discussions, these students were flush with of hopes for the future.

Allowing university students to look for work on their own is, no doubt, a radical change from the assignment system. Many repressed talents have been set free by this mechanism. There is no doubt about it. But are the students whose hands have been tied for decades ready to seize the freedom that is almost at hand? Will they face this reform with fear and trepidation?

A graduate student of Political Science at Shanghai's Fudan University said that finding a good job is not an easy task. Making decisions about a job is an important matter; one must spend a lot of energy. Furthermore, Mainland China is not a mobile society, there are limited opportunities for changing jobs. This makes choosing a job the major event of one's lifetime. Everybody wants to

land a good first job so one will not have to waste time looking for another job later on.

To what lengths do graduates go to look for work? The above graduate student said that some of Fudan's economics students who hope to work in the SEZ's will make special trips to Shenzhen and Hainan.

I chatted with several students of the graduating class in Beijing. They agree that all they talk about these days is jobs. They talk about where they went for interviews today and where they may try their luck tomorrow. Since the beginning of their senior year, not a minute has gone by that they were not thinking about finding a job, not burrowing into every possibility.

After countless attempts and rejections, these students began to realize that China's job market is not a completely open market and there are more hands than needed, and landing a job depends largely on "relationship." "Relationship" does not mean family background. Parental ties, of course, are a big asset, but the students themselves can make friends with influential people who can get them on the right track. For this reason, some students have begun making contacts even in their junior year, getting to know more people, and extending their relationship network as far as possible.

True, "relation-ology" is a quintessential Chinese tradition. The Contemporary University Student Situation Study Group points out that the very first obstacle reform of the university student assignment system ran into was the unequal opportunities in jobs. The unfair competition stems from the students' different social relations, and at the heart of this is the difference in their family background. In a society with diverse interests, resistance to reform has come from two camps: those who are privileged and those who are disadvantaged. The former worry that reform would take away their privileges, and the latter worry that reform may make things even worse. Supporters of reform are primarily those who can obviously benefit from reform.

It is because job opportunities are not equal that, although most students believe that the job assignment system should be changed, more than 60 percent of those polled think that conditions are not ripe for reform.

The poll showed the different attitudes toward reform of the job assignment system of university students of different family backgrounds (see Table 2)

Table 2: Attitudes Toward Reform of the Assignment System of University Students of Different Family Backgrounds

	Very Much Pro Reform	Somewhat Pro Reform	Indifferent	Against	Very Much Against
Worker	27.1%	24.9%	30.4%	11.0%	6.6%
Peasant	18.2%	27.3%	32.0%	14.6%	7.9%
Intellectual	17.1%	34.2%	31.0%	14.0%	2.9%
High-ranking cadre	7.1%	28.6%	35.7%	28.6%	0
Ordinary cadre	24.6%	31.4%	31.1%	11.0%	1.9%
Individual household	33.3%	66.7%	0	0	0
Transient worker	9.1%	9.1%	81.8%	0	0

In analyzing the above data, the Contemporary University Student Situation Study Group concludes that only a fairly low percentage of the children of high-ranking cadres strongly support the assignment system which may seem strange at first, but from the long-term point of view, this is only natural, because in the wake of the reform of the assignment system, a competitive mechanism based on equal opportunities will be set up, and in the face of this mechanism, the impact of family background will be very much limited.

Many university students indicate in the poll that, "Of course we hope that job assignment will be abolished. But if it is abolished, it must be replaced with a fair and proper competitive mechanism. If the old system is smashed and the new system is imperfect, then from the standpoint of selfish interests, we would rather retain the centralized state assignment system."

University students are ambivalent about the reform of the assignment system. Although "centralized assignment" leaves no room for free choice, it provides security. Getting one's own job gives one the opportunity to choose, but not everyone wants to be on his own and take his future into his own hands. When the poll asked the students what they worry most about having to find their own jobs, 36.3 percent say they worry that unequal opportunities will prevent them from finding a desirable job. 9.6 percent worry that poverty will force them to take an uninteresting job; 53 percent worry that work at the grassroots level will not pay them what they are worth.

By the end of April, Beijing's institutes of higher education basically have completed their assignment tasks. The fact is, very few students manage to find work on their own, most depend on the schools to make arrangements for them. For example, in one of Beijing University's liberal arts departments, only 20 percent of the students found work on their own.

In mid-April, outside wire services reported that this year's graduates are not allowed to look for work on their own. This greatly upset the students. Actually, what the education department said was that the schools would continue to arrange work for the students as usual and that the students' getting their own jobs last year had produced negative effects. For example, many students refused to work in the factories or go to the smaller cities.

According to a student placement officer at one of Beijing's institutes of higher education, the government has not abolished the "double-track" job selection system. This year, the graduates may look for work on their own, and those who cannot find work can get help from the schools, however, they must look for work within the government's assignment network and cannot seek work in companies outside of this network, such as in individually owned enterprises, collective enterprises, or foreign-owned enterprises. Today, there are flexible ways for the students to find work. Some rely neither on school assignment nor on their own connections,

instead, the hiring units are contacting the schools and the students can go and take the tests.

The student placement officer is worried about the student demonstrations these days. In assigning the students to jobs, many hiring units now ask, has this student ever participated in the demonstrations? They do not just ask, they study the students' files carefully. The school official said that it is not the schools that are making things difficult for students who led demonstrations, it is the hiring units who do not want them. Not only the government organs behave this way, but the commercial companies are like that too.

Under this situation, it is learned that the prestigious Beijing University, once "god's favored one," is being displaced. Gradually, some organizations are losing interest in Beijing University's students, saying that the school is plagued by frequent student strikes and that its academic standards have slipped. For this reason, few members of the graduating class participated in this year's epic student demonstration in Tiananmen Square to mourn Hu Yaobang.<sup>2</sup>

#### Footnotes

1. Assisted by Beijing University's Sociology Society, the Beijing Social Economic Science Research Institute conducted a university student survey simultaneously in Beijing, Harbin, Shanghai, Nanjing, Hefei, Wuhan, Guangzhou, Xian, Chengdu, and Lanzhou. The survey covered 14 subjects, including the university students' views on life, love, vocation, political participation, the student strikes, and reform of the assignment system. More than 1,300 students were polled.

2. The report on the above survey was prepared by the Contemporary University Student Situation Study Group.

#### Compulsory Education Called Failure

*Hong Kong PAI HSING [THE PEOPLE] in Chinese*  
No 193, 1 Jun 89 pp 52-53

[Article by Shi Lei 4258 4320: "Complete Bankruptcy of Compulsory Education"]

[Excerpts] [Passage omitted] In 1909 the Qing Dynasty had already introduced a compulsory education law. But for modern Chinese it wasn't until the "stress education" propaganda clamor of 1984 that local areas suddenly announced one after the other that they were implementing compulsory elementary education, and the state also stipulated that on 1 July 1986 it would begin to carry out the compulsory education law. This was because 169 of the world's countries had enacted compulsory education laws and China would lose face if it didn't do the same!

The date 1 July is very meaningful. This is the birthday of the Chinese Communist Party. In the minds of the Chinese, the party is greater than the law, that is, heretofore there was only the party and they did not

know there was the law. No one knew what the compulsory education law was. I recall that at the time a provincial leader wanted his secretary to write to me in the name of the "Office of the People's Government" to ask me my "views" on resolving the problem of education. In my reply I said, "First implement a compulsory education law." Unfortunately, this view was like a stone dropped in the sea.

What is more unfortunate is that history seems to intentionally play jokes. In the few years since "implementation" of the compulsory education law, throughout the country the tendency to quit school and discontinue one's studies has mushroomed. (According to Education Commission statistics for 1985, approximately 3 million girls stopped studying, or about 7 percent of all children.) In Gansu in 1986, 150,000 children were unable to go to school, of which 83.6 percent were girls, in Hubei in 1987, 1.5 million children were unable to go to school; in Weinan County, Guizhou, over 40,000 children are unable to go to school, the enrollment rate is only 66.4 percent; in Ningxia, 56.9 percent of Hui nationality children between the ages of 6 and 11 are unable to go to school. In the past few years in Fuzhou City, several tens of thousands of middle school students have dropped out annually and the situation in Wenzhou is even more severe. Many of the schools in the Yao Autonomous Region in Guangxi do not have a single female student. Every year a quarter of the children in Guangdong discontinue their studies; in 1988, 2,000 middle and elementary school teachers quit teaching to take jobs in business. In 1987, 3 million elementary school students dropped out nationwide; in 1988 4,280,000 elementary school students (3.3 percent of the total), 2,870,000 middle school students (6.9 percent of the total) quit school nationwide (but other materials say the figure is 7,390,000, yet the combined figures for 1984 do not exceed 4 million).<sup>1</sup>

Between 1982 and 1986, the number of elementary schools in the rural areas of Shaanxi Province dropped by 288 so that 575,000 students were unable to continue their studies.

These grim facts are a major mockery of the "compulsory education law"; not only is it an undeniable failure, but it is clearly also a crime.

Since implementation of the compulsory elementary education law children have not been sent to school but have been sent to become peddlars, peasants and workers. Jiangsu took the lead in implementing a "compulsory elementary education law," but during the second year 140,000 students dropped out. The dropout rate has reached 6 percent. The proportion of girls among the large group of students who have dropped out has reached between 75 and 85 percent. A village in Jiangxi has 181 child "peasants" and 16 villages in Quyang, Hebei has 420 child "workers." The "Wenzhou model" has been touted the most, but there are 450 child workers in the family workshops in Jin Village alone. Such hard

labor as lifting large rocks, crushing rock into gravel, and transporting it is being done by children. This situation is widespread in the Zhujiang Delta and in several special zones.

In 1988 the State Education Commission issued a notice, "Firmly Stop the Middle and Elementary School Dropout Trend" in RENMIN RIBAO.

Chinese have become accustomed to seeing such notices in the past 3 or 4 years. "Stress firmly," "as quickly as possible," "strictly," and "firmly" are called for almost daily but no one knows what they mean. The State Education Commission's "Firmly Stop" of 1988 may be said to be ironic: Obviously the Compulsory Elementary Education Law was not implemented, but they gave us a notice. Is the law greater or the notice greater?

The causes of this ridiculous situation are very clear. The Compulsory Elementary Education Law is only a meaningless document. There are no guarantees of such conditions as funds, equipment, or manpower, nor is there a system for supervising its implementation. Even for student textbooks, the State Education Commission annually issues a notice emphatically "guaranteeing" that books be delivered before classes begin. The actual situation is that for many areas they can "guarantee" that if the textbooks arrive before the course has ended it will be pretty good. [passage omitted]

At a forum in Beijing on 29 April 1988, Hu Xuwei [5170 4958 0251] made a fantastic proposal: Confiscate all buildings constructed in violation of state plans and in violation of financial and economic regulations since the Sixth 5-Year Plan, regardless of which leader approved them, and hand them over to cultural and educational departments to be used as schools, cultural halls, youth halls, research halls, libraries, museums, hospitals, and convalescent homes. Perhaps the main profits of enterprises acting as cultural and educational departments could be used as supplementary grants for cultural and educational expenses. This caused the entire room to rock with laughter: how would local cadres let this happen? [passage omitted]

Since the Chinese Government declared in 1978 "in 3 to 5 years or slightly longer, to make schools safe, so that every class has a classroom, and that every student has a desk," is this real? Now 10 years have passed, but dangerous classrooms are becoming more numerous and tragedies in which children are killed because the classroom collapses continue to occur. We may say that the country is poor, but why have we never heard of a government or party committee office building collapsing and killing people? Quite the contrary. In the past few years, the money used by cadres at all levels rushing to buy new imported luxury cars has reached 5 billion yuan! Whether true or false, in the past when we were comparatively poor, a total of more than 6 million people were annually declared "literate" (able to read 1,500 characters); now we say that everyone has become

"well off" but the number of people declared "literate" in 1988 was only 1.58 million. Why is that?

On 11 April 1988 the Mianjin Middle School in Wan'an Xian, Jiangxi collapsed and crushed nine students; on 14 May, the Daguan Middle School Girl's Dormitory in Ji County, Tianjin crushed five students; on 20 June the Pingshang Elementary School in Qingping Xian, Zhejiang crushed six students... These are all from official reports but the injured are not included in these figures, and there is no way of knowing how many have not been reported. In 1987 the shortage of classroom space nationwide was 75 million square meters and there were 45 million square meters of unsafe buildings. Guangxi has 4.3 million square meters of unsafe buildings and 500,000 students have no classrooms. a middle and elementary school in Jingning County in Zhejiang has 144 grade-one unsafe buildings. Who is responsible for this?

Crowds of children every day sit in unsafe rooms studying the superiority of socialism, team after team of cadres rides in high-class limousines to their palatial residences to study again and again the "hundred-year plan" for development of education. This isn't a failure of Chinese education, it's a crime!

#### Footnotes

1. ZHONGGUO JIAOYU BAO, 24 April, 1988; XUESHU YANJIU, February, 1988; YANHAI DA WENHUABAO, 23 February 1989.

2. ZHONGGUO QINGNIAN, September 1988, p. 11.

#### Characteristics of Female Criminal Acts

400505904 Beijing FAZHI RIBAO in Chinese  
28 Jun 89 p. 3

[Article by Mao Jiayi 5403 1367 5030]

[Excerpts] [Passage omitted] The characteristics of female criminal acts at present are:

##### 1. Most criminal motives stem from lust for gain.

Before the 1980's, extremely few female criminals committed the crimes of theft, swindling, or graft. In recent years there has been a clear change in criminal acts committed by women. According to a sample survey of 50 female criminals at a certain prison, 33 of them, or 66 percent, committed crimes because they were greedy for wealth. Of this number, half sought selfish desires and stole under the ideology of self-gratification. Another third became robbers, grafters, opportunists, and profiteers, poisoned by the thought that "chickens die to become food and people die to become rich." A fifth became swindlers under corruption of the "worship money" ideology. Lust for wealth or illegal seizure of property was the aim of some who committed crimes of the nature of murder, injury, or polygamy. Comparing the motives that drive women to commit crimes with those that drive men, first, the level is simpler. Most crimes are committed for individual vanity or

self-enjoyment. Second, they are premeditated well in advance. The intent to commit an offense is clear, and their planning is careful.

##### 2. There is an absolute concentration of kinds of crimes committed.

In the early 1980's, female criminals generally committed mistreatment, injury, polygamy, prostitution, and hooliganism. Among these crimes, sexual crimes also account for a large proportion. In recent years, the situation has changed somewhat in that the nature of the crimes is gradually shifting toward those concerning money. Based on data from a certain prison, in 1984 sexual crimes accounted for 36.7 percent. In 1987 the figure fell to 23 percent. Meanwhile, there has been a clear rise in money-related crimes. Some 52 of 126 female criminals, or 41 percent, committed such crimes. Nine swindled, seven received bribes, and eight smuggled or were opportunistic. It can be seen from the absolute concentration of the types of crimes that the increase in property crimes is closely related to the increase in material possessions, a rise in competitiveness, the expansion of tertiary industries, and confusion regarding systems of management. Confusion regarding systems of management in particular often shows a positive ratio with crimes committed by women. The more management confusion, the more loopholes, giving female criminals more new opportunities.

##### 3. Young women account for a large percentage of female criminals.

According to a sample survey of a certain municipal prison, among 50 female criminals, four of them, or 8 percent, are less than 20 years old; and the remaining 46, or 92 percent, are between 30 and 40. A survey of a certain province in 1987 shows that among 126 female prisoners, 10 of them, or 8 percent, were less than 16 years old; five of them, or 4 percent, were less than 18 years old; 31, or 25 percent, were between 18 and 25; and 26, or 29 percent, were between 26 and 35 years old. In other words, 82, or 65 percent, of the total number of female criminals were less than 35 years old.

##### 4. More are lone criminals than partners.

There are two kinds of criminals, loners and partners. Considering female criminals, more are loners than partners. Among the 126 female criminals in a certain province, 39, or 30 percent, committed crimes with partners. Loners numbered 87, or 70 percent. It is noteworthy that, regarding partners in crime in the past, women were usually the assistants to men, providing a place, keeping watch, providing cover, or other subordinate positions. Now, however, women have begun to commit the actual crimes. Men are now providing cover.

##### 5. More deception in crimes committed by women than men.

People's conceptions of women often concern goodness, warmth, timidity, and weakness. Some women actually take advantage of this psychology to commit criminal acts. Swindling and robbery are obvious such circumstances. In

a certain city in 1986, the number of female swindlers rose 4.8 percent over 1985. According to statistics for a certain province in October 1987, female swindlers accounted for 8 percent of the total number of swindlers. Regarding robberies, from 1985 to 1986 in a certain city, female pickpockets accounted for 10 percent of the pickpockets apprehended. In a certain province in 1986, female robbers accounted for 28 percent of the female criminals sentenced. Female robbers often are characterized by quick fingers, concealed movements, and being hard to detect. This makes cracking crimes more difficult.

Female robbers generally have a higher success rate than males. Only nine percent of male robbers meet with success, whereas 12 percent of females do. It is more difficult for male than female criminals to get away with the stolen goods. Males do so at a rate of only 32 percent, versus 63 percent for females. Of this figure, the rate for women under age 25 to hide booty is 67 percent. As for female criminals younger than 23, none felt that it was difficult to hide booty.

#### 6. Of the two sexes, women have a more corrupting influence.

Crimes have a definite corrupting influence upon society. However, in comparing male to female criminals, the latter have a more corrupting influence. When one female hooligan engages in prostitution, she frequently implicates several, a dozen, or several dozen male youths. Some women even seduce foreigners or persons from Hong Kong and Macao visiting China. Their corruptive and vile influence is all the more serious. Female criminals often exert an imperceptible influence on younger women. Some women start as victims and then, later, aided by thinking that they will "write themselves off as hopeless and act recklessly," become the oppressor. They may frequently engage other young women to commit crimes. [passage omitted]

#### Superstitious Activities Rise in Rural Areas

40050590b Beijing FIZHI RIBAO in Chinese  
27 Jun 89 p 4

[Article by Yang Yitao 2254 5030 3447]

[Text] In recent years, there has been a relatively quick revival of superstitious activities. According to a survey, there is a "five-fold increase" of superstitious activities in rural areas:

1. Fortune-tellers and character readers are getting younger in age. In the old society, most fortune-tellers were blind. They plied their trade in order to make a living. Now, many young people with fine eyesight who choose not to earn wealth in the proper manner go in for studying fortune-telling and character reading in order to swindle money. The response of the masses is that, unlike the old blind men of the past who merely sat at home and were not cultivated by the public, the young counterfeit blind now come out to tell fortunes and read characters.

2. Funeral arrangements are getting more complicated. The deceased first go to a crematorium to be cremated, and then their bones and ashes are wrapped up to be placed in a coffin and buried in the earth in the form of "pseudo-humans" shaped of clothing and blankets. When an old person dies, people are asked to form paper into decorated ceremonial archways, rooms, and articles for daily life. Others chant or recite scriptures to release the soul of the deceased from purgatory.

3. The masses are burning paper money. In the past few years, more and more people are visiting graves to honor the dead, burning paper, worshipping ancestors, and burning incense to honor the gods. The figure is higher than 90 percent in some villages.

4. Electrical appliances are being used to honor gods and spirits. Some monks use tape recorders to spread the word. When Taoists recite sutras they also use electrical appliances. In order to chant scriptures, a few people have small generators providing electricity so they can plug in their chants and walk around as they please while listening to Walkman tape recorders.

5. People engaged in superstitious activities are gradually becoming more specialized. In the past two years, some fake monks, fake Taoists, and geomancers were rather embarrassed to perform their superstitious activities in front of others, so they avoided them. Now, although they themselves feel that their activities are illegal, they are welcomed and their economic effectiveness is quite good. Thus they are more public about their activities and are gradually becoming more specialized. In some families, the men of two or more generations are disciples. In economic terms, they have begun to get rich just like other workers and sideline specialized households.

## EAST REGION

**Jiangxi Congress To Study CPC Guidelines**

OW 2307132089 Nanchang Jiangxi Provincial Service  
in Mandarin 1000 GMT 16 Jul 89

[Text] The 9th meeting of the 7th Provincial People's Congress Standing Committee yesterday adopted a resolution to conscientiously study and implement the guidelines laid down at the 4th Plenary Session of the 13th CPC Central Committee.

The meeting of the standing committee stressed keeping in mind the harsh facts of the turmoil and counterrevolutionary rebellion, the standing committees of people's congresses and deputies at various levels in the province should conscientiously study the guidelines laid down at the 4th Plenary Session of the 13th CPC Central Committee and Comrade Deng Xiaoping's important speeches and profoundly grasp their essence; by so doing, they should understand the wild attempts and criminal aims of the engineers and organizers of the turmoil and rebellion to negate the CPC leadership, overthrow the socialist system, and subvert the PRC; they should understand the interrelation between and the importance of upholding the four cardinal principles and persisting in the policies of reform and opening to the outside world. Through such study, they should unify their thinking on the basis of the guidelines laid down at the 4th Plenary Session of the 13th CPC Central Committee and Comrade Deng Xiaoping's important speeches.

The meeting called for resolutely implementing the guidelines of the 4th Plenary Session of the 13th CPC Central Committee, upholding the four cardinal principles, persisting in the policies of reform and opening to the outside world, and carrying out the four major tasks set by the plenary session and the tasks set by the 8th Plenary Session (enlarged) of the 8th Jiangxi Provincial CPC Committee. In the struggle to thoroughly check the turmoil and quell the rebellion, it is necessary to strictly distinguish between the two different types of contractions, to firmly punish according to law a handful of lawless persons who created the turmoil and rebellion, and to work hard to improve the economic environment, rectify the economic order, deepen reforms, and carry out the tasks of economic construction for this year. Conscientious efforts should be made to strengthen ideological and political work, and a clear-cut stand should be taken in opposing bourgeois liberalization. More effective measures should be adopted to maintain the integrity of the party and government departments, and it is essential to conscientiously and properly handle several matters of concern to the masses of people in order to win their confidence.

The meeting called on the standing committees of people's congresses at various levels in the province to conscientiously act according to the constitution and laws in the course of developing socialist democracy and strengthening the legal system, to conscientiously protect

the interests of the state and the people, and to work hard to ensure the enforcement of the constitution and laws. They should conscientiously exercise the functions and powers as stipulated in the constitution and laws and bring the role of the local organs of state power into full play. They should strengthen their supervision over law enforcement and the work of administrative, judicial, and procuratorial organs and support local people's governments at corresponding levels in performing their work efficiently. They should support local judicial and procuratorial organs at corresponding levels in independently exercising their functions and powers according to law. They should increase their contacts with deputies, maintain close ties with the masses, and further step up education in the legal system in order to enhance people's understanding of the law, to consolidate and develop the political situation of stability and unity in our province, and to maintain long-term political stability.

The meeting called on the people throughout the province to conscientiously study and implement the guidelines laid down by the 4th Plenary Session of the 13th CPC Central Committee, to regard it as their sacred duty to further stabilize the situation, to seriously abide by the law and discipline, and to wage a struggle against all acts violating the constitution and laws. Under the leadership of the CPC Central Committee and the Jiangxi Provincial CPC Committee, they should carry forward the spirit of doing pioneering work through arduous effort and the glorious revolutionary traditions and work hard to improve the economic environment, rectify the economic order, implement the policies of reform and opening to the outside world, and carry out economic construction in order to make new contributions.

**New Tourist Zone Opens in Nanjing**

OW 1908190289 Beijing XINHUA in English  
0730 GMT 19 Aug 89

[Text] Nanjing, August 19 (XINHUA)—A tourist zone with scenes of the Ming and Qing Dynasties will open to visitors in October this year.

The Qinhuai Tourist Zone covers 50 hectares in southern Nanjing, capital of Jiangsu Province. Construction of the zone cost 80 million yuan.

In the center of the zone is the temple of Confucius. Built in 1029, the temple consists of three parts—the main hall, examination hall and sacrificial altar.

All structures on the shopping streets of the zone were built in imitation of those of the Ming and Qing Dynasties. There are restaurants that serve Ming Dynasty cuisine and shops that sell the four treasures of the study (writing brush, ink stick, ink slab and paper), flowers and birds, festival lanterns and other local specialities.

There are 35 entertainment spots offering music and dancing, acrobatics and various games.

Visitors can enjoy a beautiful evening listening to folk music while drifting along the Qinhuai River, which surrounds the zone.

A grand lantern festival is held during spring festival each year in the zone. More than 100,000 lanterns in 250 shapes were sold last year.

### Shandong Receives 16,000 Taiwan Compatriots

SK2507134089 Jinan Shandong Provincial Service in Mandarin 2200 GMT 23 Jul 89

[Text] In the first half of this year, our province received more than 16,000 Taiwan compatriots who came to visit relatives, to go on tours, and to conduct business talks and various exchanges. This figure showed an increase of 35.6 percent over the corresponding period last year and was an all-time record over the past few years. In May and June after the Beijing turmoil and counterrevolutionary rebellion, homecomings of Taiwan compatriots were affected to a certain extent. Taiwan affairs offices of the province, as well as various cities, prefectures and counties extensively visited the Taiwan compatriots who were then staying in our province and held forums of relatives of Taiwan compatriots. They also launched the activities, among relatives of Taiwan compatriots, of writing letters to kinsfolk in Taiwan to publicize to Taiwan compatriots the guidelines of the 4th Plenary Session of the 13th CPC Central Committee, the policies of reform and opening up, peaceful reunification, and one country and two systems, which will remain unchanged, and the province's stable political and economic situations, thus enabling the masses of Taiwan compatriots to clearly distinguish right from wrong and eliminate their misgivings. The number of people coming to the province for visits and tour has picked up gradually, and the trend is good.

### Municipal Government Calls for Clean Government

OH2008784989 Shanghai City Service in Mandarin 2200 GMT 15 Aug 89

[From the "Morning News" program]

[Text] During a meeting on 15 August, the municipal government urged all police substations and housing management offices in Shanghai to make more penetrating and sustained efforts to carry out the campaign to promote an open management system and to perform duties with honesty. So far, nearly half the grassroots law enforcement units, administrative departments, and public utilities institutions have joined the campaign and achieved initial results over the past 6 months.

Speaking at the meeting, Vice Mayor Ni Hongfu said the campaign to promote an open management system and to perform duties with honesty is a major requirement for implementing the guidelines of the 4th Plenary Session of the 13th CPC Central Committee. He called

on governments at different levels to further strengthen leadership to promote a clean government in Shanghai.

### Zhejiang Provincial CPPCC Committee Ends Session

OH 2607074389 Hangzhou Zhejiang Provincial Service in Mandarin 0900 GMT 14 Jul 89

[Text] The 8th Session of the Standing Committee of the Sixth Zhejiang Provincial Chinese People's Political Consultative Conference [CPPCC] Committee ended in Hangzhou in the afternoon of 14 July.

The Standing Committee session, which lasted 4 days, earnestly studied and discussed the documents of the 4th Plenary Session of the 13th CPC Central Committee and the important speech delivered by Comrade Deng Xiaoping. In their discussions, the Standing Committee members participating in the meeting expressed resolute support for all the decisions made by the 4th Plenary Session of the 13th CPC Central Committee, the new collective leadership of the CPC Central Committee, headed by General Secretary Jiang Zemin, and organizational disciplinary measures against Comrade Zhao Ziyang. They used the guidelines of the 4th Plenary Session and Comrade Deng Xiaoping's speech as a powerful ideological weapon to clarify the grim facts of turmoil and counterrevolutionary rebellion, and integrate the actual conditions in Zhejiang, spoke freely of their understanding at the study session, drew clear distinctions concerning cardinal issues of right and wrong, reached a common ideological understanding, and received an unforgettable education. As a result, their confidence in further successfully tackling various tasks in the future is boosted and their future orientation clearly defined. They also presented a number of sound views and made many good suggestions on how to carry out the guidelines of the 4th Plenary Session and assist the party and government to do a good job in fulfilling the four major tasks.

Over 10 comrades, including Jiang Cisheng and He Zhibin, spoke at the meeting. Ge Hongsheng, deputy secretary of the Zhejiang Provincial CPC Committee, accepted an invitation to attend the meeting and listened to their speeches. Shang Jingca, chairman of the Zhejiang Provincial CPPCC Committee, attended the meeting and spoke at the closing ceremony.

He said: Generally speaking, the overwhelming majority of the members of the CPPCC committee, which functions as a patriotic and united front organization under the leadership of the CPC, showed a firm ideological loyalty and clear understanding and withstood the test on major issues in the recent struggle to put an end to the turmoil and quell the counterrevolutionary rebellion. They did a great deal of work at their respective posts and played an active role in stabilizing the situation. Facts have proved once again that the unity and cooperation between the CPC and all the democratic parties, mass organizations, and personages in all fields of endeavor are based on a sound foundation and can

withstand a test. Several recent speeches by Comrade Jiang Zemin have repeatedly reaffirmed that the lines, guiding principles, and policies adopted since the 3d Plenary Session of the 11th CPC Central Committee remain unchanged; that the policy of uniting all the forces that can be united and consolidating and developing a broad patriotic and united front remain unchanged; that the policy of adhering to the concept of "one country, two systems" remain unchanged; and that the policies on nationalities, religious affairs, overseas Chinese affairs, and intellectuals, which have been proved effective by practices over the years, also remain unchanged. The system of multiparty cooperation under the leadership of the Communist Party and that of political consultation, which were formed by history and dictated by realistic conditions, will be implemented in a better way. The CPPCC committee will play an even greater role in performing its functions of political consultation and democratic supervision in the future.

The session passed the resolution by the Standing Committee of the Sixth Zhejiang Provincial CPPCC Committee on studying and implementing the guidelines of the 4th Plenary Session of the 13th CPC Central Committee.

## CENTRAL-SOUTH REGION

### Guangdong Designates Historical, Cultural Sites

OH 0208012789 Beijing XINHUA in English  
0932 GMT 1 Aug 89

[Text] Guangzhou, August 1 (XINHUA)—South China's Guangdong Province has designated 106 sites of historical and cultural significance under provincial protection, according to the local cultural administration department.

They include the former residences of Kang Youwei, Liang Qichao, Qiu Fengjia, Lu Haodong and Situ Meitang, the ancient walls in Zhaoqing City, the Guangjimen tower in Chaozhou City and the Zhenhai tower in Guangzhou as well as some sites of historical significance.

Guangdong has discovered more than 2,000 ancient cultural sites, 2,000 ancient tombs, 7,000 ancient architectural constructions, 1,000 historical sites and 2,000 pieces of stone engravings and cultural relics.

### Shenzhen Businessman Arrested for Embezzlement

HK 3107081689 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 0628 GMT 29 Jul 89

[Report: "Vice Manager of Shenzhen Company Is Apprehended for Being Suspected of Embezzling Huge Amounts of Public Money"—ZHONGGUO TONGXUN SHE headline]

[Text] Shenzhen, 29 Jul (ZHONGGUO TONGXUN SHE)—Su Jinzhu, vice manager of the Luohu District Enterprise Development Company in Shenzhen City,

was recently apprehended for being suspected of embezzling huge amounts of public money.

When Su Jinzhu moved from Yingde County to Baoan County 7 years ago, he was merely an ordinary peasant. However, he now owns nearly 2 million yuan of personal assets, which far exceed his normal incomes. He has 44 bank savings passbooks with a total balance of 1.04 million yuan, three Hong Kong dollar savings passbooks with a total balance of more than HK\$12,000 [Hong Kong dollars], five pieces of golden ornaments, and a luxurious car. He bought an apartment and built a house in Shenzhen, and also owns an apartment and a commercial shop in Hong Kong. At present, the procuratorial organ has detained all of his bank passbooks and golden ornaments.

According to the initial investigation of the procuratorial organ, Su accumulated his personal assets mainly through embezzling public funds, forging bills, and manipulating the books. In 1987, Su embezzled more than 61,000 yuan with a forged import bill.

A more surprising fact revealed by the procuratorial organ is that Su holds seven border-crossing certificates to Hong Kong and Macao, one Hong Kong resident identity card, one home-returning permit for Hong Kong and Macao residents, one Hong Kong reentry permit, and one border-crossing farming certificate for border area residents. The secret of how he could get so many identity certificates has yet to be revealed by further investigations.

## NORTHEAST REGION

### Liaoning Government Reforms Personnel System

SK 3107051989 Shenyang LIAONING RIBAO in Chinese 9 Jul 89 p 1

[Excerpt] Liaoning has achieved outstanding results in reforming its personnel system—applying the system of open invitation in hiring leading cadres at the section level of provincial government departments. It began to experiment with this system last August. As of now, all 1,005 chiefs and deputy chiefs of the sections under the 46 committees, departments, and bureaus, regardless of whether they are old-timers or new, have been employed publicly through self-recommendation, speeches, answering questions, appraisals, and examinations. This has increased the vitality of government departments.

In the reform of the personnel system of government departments, restrictions in the three areas were relaxed. First, restrictions on who may apply were relaxed. All cadres may apply regardless of whether they belong to sections or offices, departments or their subordinate institutes, and whether they are "officials" or "rank-and-filers." Second, restrictions on who may participate in the appraisals were relaxed. All members of a unit may hear the speeches and answers of applicants, raise questions, and make appraisals. Third, restrictions on the procedures for employment were relaxed. Recommendations and appraisals were made public. In this way, outdated ideas on employment were eliminated, the

defects of making a mystery of employment, appointment according to seniority, appointment by favoritism, and letting only leaders have the say in appointments were overcome, a good environment was created for equal competition and transfer of cadres, and employment was made public for the scrutiny of the masses.

Application of the public invitation and competition system to employment not only enabled a number of section chiefs and deputy chiefs who had good performance and were competent in their work to remain in office but also enabled a great number of top-notch personnel to show their talents. More than 340 cadres at and below the division level assumed the leading posts at the section level, of whom 42 cadres at the level of deputy chief of divisions, and rank-and-filers were exceptionally appointed as section-level cadres. The average age of the 1,005 section chiefs and deputy chiefs was 3.8 years younger than before the system was applied, and the number of those with university education increased from 57.2 to 67.4 percent. In addition, they were more professionally competent and had more ability, making the offices take on a new look. [passage omitted]

### Shenyang Citizens Said To Enjoy Quiet, More Prosperous Life

OW0708134489 Beijing XINHUA in English  
103° GMT 7 Aug 89

[Text] Shenyang, August 7 (XINHUA)—Ms. Liu Yue, sporting a blue jumper and white shirt, moves gracefully amidst coffee tables, serving lemonade, orange juice, cocktails, and coffee to her customers who come to seek moments of ease and comfort at "Kyodo" Karaoke in downtown Shenyang.

The singing—mostly Chinese, Japanese, and American songs—and occasionally disco dancing at the bar indicate an atmosphere of relaxation and quiet in this important industrial city in northeast China.

The manager Li Molin, a former electrical engineer, said his bar receives some 100 visitors each evening. "Most of them are college students, office workers, and entrepreneurs. They come here to get a touch of artistic pleasure," he said.

There are the Golden Rose, the Red Star, and a dozen other bars like "Kyodo." Yun Lan, an official from the city's cultural department, said some 14,000 people go to such night entertainment facilities every day.

A self-employed garment trader told XINHUA, "I like to indulge in the kind of musical atmosphere which 'Kyodo' provides." He works hard from early morning to noon and comes to the bar with his girl friend in the evening.

Mr. Li Molin said some young people chose his karaoke to hold their wedding ceremonies or birthday parties. In June, two couples got married in his bar, and a young couple threw a birthday party for their 6-year-old son there, he said.

Down on Zhongjie Street, well stocked with consumer commodities, is crowded with busy shoppers. Many stores play color TVs and refrigerators at the front door attract customers.

According to a local commercial official, Shenyang's supplies of commodities during the first half of this year increased by more than 30 percent compared with the same period last year, and the general pace of price rises has slowed down with each passing month.

Gold and silver ornaments, color TV sets, and refrigerators which were targets of panic buying last year, are being ignored, though their prices have dropped to the lowest point since last year.

A housewife complained she spent more than 500 yuan to buy a vacuum cleaner in the wave of panic buying last year, but its present price is down to 300 to 400 yuan.

The general manager of the Shenyang Number Two Department Store, Cao Zhenjiang, said his store's business volume decreased by 4 million yuan in May and June because of the turmoil. However, in July and August, the store's business recovered. He is aiming at 7 million yuan in business volume in August.

At Shenyang's largest free morning market, a dozen kinds of fresh vegetables, such as celery, tomatoes, bokchoi, potatoes, and green peppers are available. Their prices were stable even during the days in May and early June when Beijing was in turmoil, a local customer said.

The situation in this leading industrial city has been relatively stable in the last few months. On June 6 and 7, only part of the city's traffic was blocked, causing some workers to get to work late.

An official from the city government said some college students once called on the workers to take to the streets, but they didn't get any active response. "Some workers said, go on strike? Will you pay us?" he said.

This official disclosed that the most serious problem Shenyang's industries face is a shortage of electricity. Many factory directors have complained about it, he said.

A deputy director of the municipal foreign economic relations and trade commission said Shenyang exported 173.71 million U.S. dollars worth of products during the first half of this year, up 30 percent over the same period last year.

He said though there was no serious turmoil in Shenyang, the national situation has had some impact on its foreign trade. At least 40 business deals totaling more than 27 million U.S. dollars were canceled or put off, he said.

Some banks and savings offices are operating normally. After June 6, local savings declined, but they have recovered since June 10.

College students have left for their summer holidays and the provincial and city TV stations are now offering programs showing students' accounts and their reflections on the turmoil.

**Legislators Describe Motivations, Benefits**

40050586c Taipei TZULI WANPAO in Chinese  
24 Jun 89 p 2

[Article by reporter Kuo Shu-min 6753 3219 2404: "Spending a Fortune on a Legislative Seat—Is There Something To Be Gained?"]

[Text] According to statistics, a supplementary member of the Legislative Yuan makes only a little more than NT\$3.7 million [new Taiwan dollars] during his 3-year term. So why are so many people spending their family fortune, spending NT\$30-50 million or even NT\$100 million, on a job that pays less than a tenth of what they spent?

**Table of Income Per Supplementary Legistive Yuan Member During a 3-Year Term**

Itemized Salary and Subsidies Per Legislative Yuan Member Per Year

Annual fees	NT\$36,400 x 12 months =	NT\$436,800
Public fees	NT\$36,400 x 12 months =	NT\$436,800
Assistance fees	NT\$15,000 x 12 months =	NT\$180,000
Conference fees	NT\$900 x 123 days =	NT\$110,700
In-kind food subsidies	NT\$914 x 12 months =	NT\$10,968
Housing subsidies	NT\$800 x 12 months =	NT\$9,600
Annual salary and subsidies		NT\$1,184,868
3-year term salary and subsidies	NT\$1,184,868 x 3 =	NT\$3,554,604
Airplane ticket allowance (NT\$150,000 limit per 3-year term)		NT\$150,000
3-year total receipts		NT\$3,704,604

Note: The above figures are based on the public employee's salary standard as of June. After pay adjustments in July, a Legislative Yuan member's income will exceed NT\$1.3 million a year.

Table prepared by reporter Wang Ming-i [3769 6900 5030]

What are the real "advantages" of being a legislator that have attracted so many people to "pay whatever cost" to get themselves on the campaign road of no return? What are the motives and the objectives of those who run for public office?

Legislative Yuan member Lin Yung-jui [2651 3057 3843], who is running for reelection this year, came straight to the point and said that running for legislative seat is hoping to serve society. "Public office is a service-oriented line of work," he said. Legislative Yuan

member Lin Yu-hsiang [2651 6877 4382] agreed that most people chase after nothing but fame and fortune all their lives and, once elected to the Legislative Yuan, they will have everything. "This is a populous society and people are lost in the crowd. If you want others to know you, getting elected to the Legislative Yuan certainly is one way."

Lin Keng-shen [2651 1649 3947] demonstrates his Taiwanese humor and says that campaigning is the most foolish deed on earth. But what prompted him to do this foolish thing are the "personal sense of honor" and "the sense of imminent success." He said that those things cannot be bought with money nor can they be gauged by money.

Chao Hsiao-kang [6392 1421 1660] shares this view. He said that when he first switched from the provincial council seat to the Legislative Yuan, he realized that there is much greater political scope in the Legislative Yuan and one can do more for the people and address more issues. So far, he has proposed 10 amendments to laws pertaining to the people's livelihood, including the Environmental Protection Act, the Basic Consumer Protection Act, and the Handicapped Welfare Act, and he is proud of them.

Liu Hsing-shan [0491 5281 0810], who is always projecting the image of a scholar, said helplessly that he himself has never been interested in politics. For his first campaign, he was actually drafted. "Back then, the ruling party was worried that Taoyuan District's Chang Te-ming [1728 1779 6900] and Hsu Kuo-tai [1776 0948 3141] were too strong and hoped that the Liu family could send someone to run against them," he said, and "that is how I got involved in politics."

Although when they first run for office, everyone has his ideals, no one denies that once elected, there are many advantages. Lin Yu-hsiang and Liu Hsing-shan agree that many government organs go out of their way to please the legislators. "If anyone needs important information, it is the legislator more than anybody else who is likely to get hold of it," Lin Yu-hsiang said.

But will these "advantages" turn into "special privileges"? In particular, many legislators are an unscrupulous bunch who are in cahoots with interest groups. Lin Yu-hsiang admits that once elected, one is obliged to deal with these groups, but as long as the money transactions are legal and aboveboard, they should be okay. "Contributing money is just another way for the people to show support, is it not?"

Lin Yung-jui said that when he ran for office, he had a well-organized "reinforcement club," which gave him manpower and financial support. Once elected, this reinforcement club naturally has a special relationship with him. "There is nothing unusual about friends helping friends."

Being idealistic at first, and because there are all kinds of advantages after winning an election, many people have plunged into election battles. But do of all them continue

to hold? the sense of achievement? Lin Keng-shen, who has decided not to run again, said with disappointment, "I have served five terms in the Legislative Yuan, but I have never had a sense of achievement." He said that as a KMT member, under pressure from the party, sometimes one is not free to speak or do as one pleases. "If I attend a Yuan meeting but cannot speak out, and I just sit there for a whole day, what is the sense of it? Besides, there is no chance I can do any party work." Huang Ize-ching [3419 7230], the secretary general, compares himself to a dog, and Chao Hsiao-kang said helplessly that legislative work is a thankless job, and for that matter, each election battle costs a lot of money, too. He said he himself often wonders why he is doing it. Chao Hsiao-kang said sadly, "there are many things one just cannot analyze rationally, because, in the end, you will find that there are too many contradictions."

### Legislators Seen as Money, Power Seekers

40010086b *Taipei TZU FU INPIAO in Chinese*  
28 Jun 89, p. 2

[Article by reporter Wang Ming-yi 3769 6900 5030: The Money-Power Game in the House of the Virtuous"]

[Excerpt] [Passage omitted] Recently, although the Legislative Yuan has extended its session and is preparing to examine various bills before it that concern the people's livelihood, the hearts of the supplementary legislators are really not on government, because many people inside and outside of government are getting ready for the party primary. They are more interested in getting media attention and are eager to forge better public relations with congressional reporters. The hottest topic of conversation in the house of the virtuous generally has to do with "How much will the primary cost?", "How much will be spent on buying votes this year?", "Who is the richest legislative member?", and "What is so and so's chance of reelection?". The legislative quality of the congressional organs is rather poor these days, and even the legislative machinery is almost paralyzed at this point.

Outsiders often wonder why so many of Taiwan's politicians are willing to spend NT\$ 10-50 million [new Taiwan dollars] to campaign for a representative seat which does not even pay a tenth of what they spent, and why some are willing to risk their family fortune to seize a legislative throne. Have these politicians let fame and fortune go to their heads? Or is this Taiwan's very sick political culture?

The truth is, the current 71 supplementary legislators have long clung to Taiwan's "octogenarian congress," which in itself is a strange political group. The Legislative Yuan, which is a political arena without a reasonable legal system, provides this bunch of young, upstart politicians and aging constitutional lawmakers a playground for their money and power games. The so-called amplification of the congressional system and the ideology of politics according to the will of the people seem ludicrous and hapless in Taiwan's distorted congressional culture.

The close to 200 lawmakers elected under the constitution who had been asked to leave congress during the "later Chiang Ching-kuo era" not only have no intention of resigning today but are eagerly awaiting their fat pension checks. And they have even become the principal operators in the Legislative Yuan while the 3-year-term supplementary legislators are busy campaigning for reelection! Some of these old legislators are so sick that they are barely conscious, others are in their nineties, and some may be centenarians who are more like vegetables than humans. Are they really congressmen and legislators of this democratic country? Or are they just their families' "money tree"?

The truth is, this group of old constitutional lawmakers who have occupied congress for 40 years are refusing to resign not just for financial reasons. Many of them are so accustomed to wielding power and influence that even when they are old and incompetent, they are still unwilling to part with their power. In particular, people like Liu Kuo-tsai [0491 7059 2088], Liang Su-jung [2733 5126 2051], and Lin Tung [2651 2767] who have risen to the pinnacle of power late in their political life, naturally have no intention of giving up their legislative power and prestige, and even less persuade their colleagues to do so.

For this reason, the ruling party was so eager to pass the voluntary resignation rule that it resorted to illegal procedure and proclaimed it law even before it passed the second and third readings, and then no one tendered his resignation after the law was passed—these scenes of an absurd and preposterous political drama clearly demonstrate that the present Legislative Yuan is rendered but the old constitutional lawmakers' exclusive domain where they play their power game. Abdullah Chin Yang-hao [6855 7402 3185] and others who, because of their position as legislative members, are getting paid for doing nothing are good examples.

As for the supplementary legislators elected to a 3-year term, because seats are limited and there are many contenders each year, almost without exception no political upstart can get elected to the Legislative Yuan without spending over \$10 million NT, except for a few in the opposition party and those KMT members who want to project a new image. In Taiwan, money may not be an elected legislator's "only guarantee," but it certainly is indispensable.

When money is increasingly the determining factor in an election, the vicious cycle of "bad money driving out good money" also emerges. When others use their money as a weapon, the handful of legislators who are lucky enough to win election but are not good at making money will soon lose ground. In today's scene, KMT's Hung Chao-nan [3161 2507 3948], Lin Shih-chi [2651 2514 2894], and Huang Ize-ching [7806 3419 7230], among others are in the same predicament and under the same pressure.

Taiwan has clamored for congressional reform and political changes for many years. Have we succeeded? The

political scenes in the Legislative Yuan's house of the virtuous have given us the clear answer!

### Legislators Discuss Campaign Spending

40050587a Taipei TZU-LI 4NP10 in Chinese  
22 Jun 89 p 2

[Article by reporters Kuo Shu-min 6753 3219 2404, et al.: "How Much Will It Cost to Buy a Legislative Yuan Membership?"]

[Text] Is a Legislative Yuan member's throne really worth NT\$100 million [new Taiwan dollars]? How much does a candidate who intends to run in this year's general election have to spend if he hopes to win? This is the hottest topic in many circles today. Although the incumbent supplementary legislators elected more than 2 years ago were required to disclose their campaign spending, and the amount is limited by law, who knows in truth how much one has to spend to hope to seize a congressional throne? The following is the more "realistic" disclosure by legislators who intend to run for reelection at the end of the year:

*Chou Shu-fu* /0719 2579 1630/ (district Legislative Yuan member): I have run three times. I never buy votes, and so I generally spend around NT\$7-8 million. Prior to the general election at the end of this year, however, there will be a party primary, and so I expect to spend an extra NT\$2 million or so. But as I understand, many legislators will be spending up to NT\$100 million.

*Wu Yong-hsiung* /0702 0567 7160/ (Labor Organization): I intend to spend more than NT\$8 million in this election. As for the district Legislative Yuan election, because the district has shrunk, I will be spending less money than before. We full-time legislators are a pitiful bunch. I will never get back the NT\$8 million in my 3-year term in the Legislative Yuan.

*Wu Tzu* /0702 2737/ (district Legislative Yuan member): I figure that I will be spending around NT\$15-20 million. But first let me say that this is without any attempt to buy votes. Since there will be a party primary this year before the general election, and there are 29 towns and townships in my district, I estimate that I will be spending around NT\$30,000 in each town or township. This includes dinner and cigarette money for my campaign volunteers.

*Huang Shu-wei* /7806 2579 3837/ (district Legislative Yuan member): I used to spend around NT\$15 million, but this year, the race is going to be tight, and prices in general have gone up, and so I will probably be spending around NT\$20 million. In addition, in this year's party primary, the district party branches are selling party membership registers at several thousand dollars a copy. I am running in Taipei's Southern District which consists of 10 districts, and so I will be spending a huge sum of money to buy those membership registers. I expect to spend an extra NT\$1 million in the primary.

*Lo Chuan-jin* /0012 0278 0651/ (Fishermen's Organization): It is really hard to say how much one has to spend in an election. It depends on how strong the opponent is. But in a clean race, with no attempt to buy votes, I estimate that it would cost around NT\$10 million. As for the general election at the end of this year, because there is too much idle money in society and the stock market has been soaring, I am afraid that many candidates will be going all out and spending a bundle to ensure victory. Once a legislator from the Agricultural Organization told me that he is willing to spend any sum of money to get elected. For someone like that, election can cost NT\$100 million.

*Lin Shih-chi* /2651 2514 2894/ (district Legislative Yuan member, running for county mayor this year): In my experience, if a candidate is not buying votes, he needs to spend at least NT\$15 million, and if he is buying votes, it could cost him NT\$100 million. Even though the KMT insists that elections must be clean, it is difficult to enforce.

*Chiu Lien-hui* /6726 0647 6540/ (Democratic Progressive Party /DPP/ legislative member): In a clean election where there is no vote-buying, no phony ballots, it should cost no more than NT\$6 million to run in the Legislative Yuan—this is what I personally spent 3 years ago running in a bigger district before it was cut in size. This includes normal advertising expenses, pamphlets, campaign helpers, and campaign activities.

*Hsu Kuo-tai* /6079 0948 3141/ (DPP legislative member): The DPP spends one-tenth of what the KMT spends in a Legislative Yuan election. Back when I was running, in a 6-month period before the election, I spent NT\$300,000-400,000 on various formal social activities. As for promotional activities, gasoline and transportation costs alone exceeded NT\$1 million. Including miscellaneous expenditures, I must have spent NT\$3 million.

*Huang Chin-ping* /3769 6855 1627/ (district Legislative Yuan member): As long as the election is not rigged, spending a little more is no big deal. Limiting campaign spending is so pointless. Take me for instance: in 1975 I spent NT\$6 million, and in 1978 I spent another NT\$6 million. I lost. In 1980 I spent NT\$9 million, in 1985, I spent NT\$15 million, and in 1986, I spent at least NT\$20 million. So, in this year's general election, how can I spend anything less than NT\$10 million?

### CPC Official Comments on 'One Country, Two Systems'

40050587b Hong Kong MING P10 in Chinese  
29 Jun 89 p 9

[Article entitled: "Chen Yun Complains That 'One Country, Two Systems' Allows Hong Kong and Taiwan To Play the Lead Role—the Winds of Capitalism Have Swept Away the Four Upholds"]

[Text] ZHONGYANG SHE, Taipei, 28 [June]—It has been learned that in a recent speech before party

insiders. Chen Yun, chairman of the CPC Central Advisory Commission, admitted that the CPC's united front work to promote "one country, two systems" has been put on the defensive. Many mainland residents are now yearning for Taiwan.

"One country, two systems" was promulgated by Deng Xiaoping in 1984. He proclaimed that he would implement two systems within the same "country," using this as a ploy to launch his united front work.

In his address, Chen Yun said, "Hong Kong and Taiwan have taken the lead role in the party's (one country, two systems) policy!"

He said, "Opening up the borders and lifting restrictions have attracted Hong Kong's corrupt capitalist lifestyle and brought in Taiwan's Three People's Principles of freedom, prosperity, and affluence. Meanwhile, we have neglected our own political ideological work. This is chaos."

Chen Yun said, "Today, the people have basically rejected the socialist system. Party members and cadres do not know the four basic principles and what they are supposed to uphold. They do not know what they should do. Where have the party's general and specific policies gone?"

#### **Wu Tong-ming's Prospects for Appointment as IB Chief**

*JUNISUSS1 Taipei TZULI HANP10 in Chinese*  
30 Apr 89 p 2

[Article by correspondent Zhang Youhua 1728 0645 7520: "Wu Tong-ming: Candidate for Intelligence Bureau Director Who Has Been Sedulously Groomed by the Military and Intelligence Systems"]

[Excerpt] [Passage omitted] With the munificent support of Hao Po-tsun, chief of the general staff, and Song Hsing-lien, National Security Bureau [NSB] director, Wu Tong-ming, deputy director of the Intelligence Bureau [IB] and former adjutant to Hao Po-tsun and former "commander of the bodyguards" for late President Chiang [Ching-kuo], is viewed by the military and by the intelligence system as the appropriate candidate for the next IB director.

Hailing from Huizhou, Guangdong, Wu Tong-ming is 54 years old and the son of Wu Huisheng, former commander of the military police and deputy commander-in-chief of the Taiwan Garrison General Headquarters. Wu Tong-ming entered the Central Military Academy's [CMA] 29th class in 1956, graduating in 1960. He performed well both academically and in the military arts during his enrollment and, thus, was retained by Hsu Rucheng, CMC commandant, as an instructor at the academy. Subsequently, Wu was specially recommended by Hsu, under a program to "train scientific instructors," to attend Purdue University of the United States for further training. At Purdue, Wu earned master's and doctoral degrees in engineering. On his return to Taiwan,

because he lacked experience in commanding troops, Wu was successively appointed as deputy company commander and company commander in the Student Command, lieutenant colonel in command of the Special Fourth Battalion, and colonel and chairman of the Engineering Corps at the CMA. Probably because of Wu's good academic record, Hao Po-tsun promoted him to be Hao's adjutant, and Wu was later appointed major general in command of the 109th Reserve Training Division. In June 1985, Hao recommended Wu for promotion to lieutenant general to replace Chou Chong-nan as commander of the bodyguard in the Office of the President. On 1 August 1988, NSB Director Song Hsing-lien named Wu to replace Chao Zuo-tong as deputy director of the IB, marking the first time that a commander of the presidential bodyguard had ever been transferred into the intelligence system, and demonstrating the apparently high expectations that the military and the NSB have of Wu. [passage omitted]

Given Wu's background, his transfer to the IB deputy directorship clearly indicates the military's intention of giving him experience in the intelligence system so as to prepare him to take over the IB directorship. A retired intelligence officer in the NSB has pointed out that, while outsiders have been highly critical of Wu's appointment to the IB deputy directorship because of his "military" background, Wu in reality comes from an "old intelligence family," and his ties to the intelligence system must be traced back to his father, Wu Huisheng, who had a long career as an intelligence commander, serving as commander of the military police for as many as 37 years and subsequently serving in the Taiwan Garrison Command for two and a half years and then as counselor to the NSB for 13 years. Thus, many current officers in military intelligence units were subordinates of Wu Tong-ming's father. Given the attitude of "love me, love my son," it is clearly not surprising that relevant units should have arranged for Wu Tong-ming to take over the IB deputy directorship; what these units were doing was nurturing Wu's advance within the intelligence system. [passage omitted]

Furthermore, as for Wu's experience within the military, he long served as an instructor in academy units, not as a commander of combat units. And, in accordance with military practice, no matter how good his academic background, without experience in combat command, the best he could have done would have been to become colonel and then transfer into the civilian system for further advancement, which might very well have meant a possible disruption in his career. So, in order to groom him, the military, in a planned fashion, first had him transferred to fill a vacancy in Hao Po-tsun's adjutantship and then had him appointed commander of the 109th Reserve Training Division. But since Wu lacked "experience" in command of a combat unit or above, he logically could never have been promoted lieutenant general. Fortunately, a vacancy appeared in the commandship of the Presidential Office bodyguard. Hao Po-tsun recommended Wu for the post, and late President Chiang approved the appointment. Only thus did

Wu manage to fill a vacancy carrying the rank of lieutenant general, thereby laying the crucial groundwork for his rise.

The arrangements made by relevant units for Wu's promotions and transfers show that the military has deliberately groomed him to go into the intelligence system, which clearly demonstrates that he has been a "focus of careful nurture." Otherwise, he could never have risen in less than a short 12 years from commander of the CMA's Special Fourth Battalion to a position carrying the rank of lieutenant general.

One of Wu's subordinates reports that, during Wu's long tenure as commander of the presidential bodyguard, the late President Chiang ordered Wu to participate in various aspects of intelligence operations in the hopes of giving Wu experience in this work. Meanwhile, with the assistance of his father's friends, Wu gained a fairly good understanding of intelligence operations. President Chiang once named Wu chief of a certain intelligence unit, but the move was nixed because of Wu's "limited experience" and because relevant units feared that, in view of President Chiang's poor health, it would not have been a good idea rashly to replace the bodyguard commander. Not until President Chiang passed away did relevant units raise the issue again. NSB Director Song Hsing-hen personally intervened, consulted with IB Director Wong Wen-wei, and recommended Wu to be named IB deputy director. Because of personnel disputes during the negotiations, the IB did not complete arrangements for the appointment until after the close of the 13th KMT National Congress. On 1 August 1988, the IB formally issued a personnel order, and Wu, as a "retired military officer," became deputy director. [passage omitted]

IB personnel report that since Wu became deputy director he has kept a low profile and made a good impression because of his sincerity, modesty, and scrupulous observance of his authority and responsibilities and that he lacks the haughty bearing of a military man and thus has made a good impression within the IB. Consequently, some people believe that the appointment by the military of a "PhD general" to the IB undoubtedly shows that it is just a matter of time before Wu becomes IB director; what these people did not expect is that the process would be so fast.

Well, is Wu Tong-ming really fit to be IB director? In answering this question, we must begin with his personality. One of Wu's former subordinates says that during Wu's long tenures as CMA company and battalion commanders Wu was a very obedient officer, conscientiously carried out all the assignments given him by his superiors, threw himself completely into his work, and was very strict in demanding that students complete

their cleaning chores and keep their barracks spick-and-span. Thus, Wu's former students found him to be "especially attentive to cleaning chores, to cleanliness, and to whether lawns were neat and tidy, but lacking in sufficient understanding of students' thinking and feelings." In terms of personality, Wu's strengths were being excessively upright and cautious, but his shortcomings were that he rarely made the effort to show solicitude for his students.

In fact, Wu has had very little contact with outsiders. His ties are, for the most part, to military men and intelligence officials. Thus, outsiders know little of his family background, his academic record, and his career experience, making him a very mysterious commander. When he was commander of the presidential bodyguard, especially, he had almost no private life other than with the people with whom he regularly dealt. He is probably very attentive to official etiquette and tactful in exercising his authority and in carrying out his duties, for it was not without reason that he won the high regard of late President Chiang, Hao Po-tsun, and Song Hsing-hen [passage omitted].

A retired officer of the 109th Reserve Training Division reports that Wu is very analytical, does not make decisions rashly, and does not make decisions before carefully weighing the pros and cons. Wu handled his troops well as commander of the 109th Reserve Training Division, rarely had any screw-ups, and won the high regard of Hao Po-tsun. It was just that, although cordial, Wu always seemed to maintain a barrier between himself and his subordinates—"respectful but distant" is the appraisal his subordinates had of him. He spoke very tactfully, but behind that tact his subordinates had a hard time figuring out his real "intentions." For example, during tactical exercises, he gave his subordinates full decisionmaking authority, yet they did not feel that they could exercise that authority whenever they received an order from him. This shows that, in terms of personality, Wu was an officer who was very difficult for his subordinates to understand. He was not an arrogant commander, he was modest and amiable, and he put on no airs. Yet his subordinates could only be "respectful" and did not dare to become "close" to him, which shows that, in terms of personality, he remains a traditional military man and that what he demands is unity and discipline.

Many people in the CMA believe that Wu was an "excellent instructional officer but not a good commander." Though he has a good academic record and is very analytical, he has had very little contact with outsiders because of the nature of the positions he has held and his long service within a relatively pure and simple environment. Thus, his life experiences and perspectives are specialized and narrow, which may have affected his understanding of society. His appointment as IB director, then, will prove both a test of his capabilities and of the military's decision.

### Macao Seen Slow To Develop Democracy Movement

40080849 Hong Kong CHI SHIH SHIEN 11/1988  
SINCE 1978 in Chinese No 232, 1 May 89 pp 56-58

[Article in "Macao Situation" column by Li Bingshi  
2621 3521 2514; "When Will Macao's Democratic Movement Begin?"]

[Text] Mainland China and Hong Kong have cried out for democracy, but the people of Macao have kept their traditional silence. Macao may not be as open as Hong Kong, but it is certainly more open than the mainland in communications. In fact, Macao may have the most democratic political system of the three—it has a legislative organ, the Legislative Council, in which 35.3 percent of the members are elected by the people. But the people of Macao care nothing about the signature drive to free Wei Jingshen [7614 0079 3932] or the banquet incident involving Fang Lizhi [2455 0536 0037] or the detention of the signed letters of petition by Tianjin customs. They are indifferent. This at least tells us that a society's desire for democracy has little to do with whether it already has a democratic political system or whether it has a well-developed communications system.

To answer the question why Macao has not had a prodemocracy movement, first, we must look at Macao's mass organizations which are the most likely groups to lead the fight for democracy. Second, Macao does not have the climate yet for a prodemocracy movement; some of its social issues may be more pressing.

It is not easy to define a prodemocracy movement. Perhaps we can say that it is usually manifested in the making of direct demands on the existing political structure, exerting pressure on the ruler. The demands and pressure may pertain to the political system, as in the case of the people of Hong Kong who are seeking direct elections, or they may have to do with a political incident which is a matter of democracy, such as the mainland and Hong Kong residents' clamor for the release of Wei Jingshen.

Despite differences in sociopolitical environment, the intellectuals are always the harbingers who propagate democratic thoughts; they are also the backbone of prodemocracy movements. These are special traits, and Macao's intellectuals are no exception. Since the 1980's, intellectual groups have continued to spring up in Macao. Democratic thoughts have slowly spread as a result of their activities. Today, there are three groups that frequently advocate democracy.

The Catholic Macao Diocesan Youth Center. This center holds regular public meetings to discuss Macao's sociopolitical issues and it publishes a quarterly journal, *Live Stream* to air its opinions.

Society for the Advancement of Macao. This society occasionally airs its views on major issues in newspapers. Its most distinguishing aspect is that it has often invited

well-known prodemocracy spokesmen, such as Fang Lizhi and Qian Jiaju [0578 1367 7467] to Macao to give speeches.

The Citizens' Rights and Privileges Association. This organization grew out of the Legislative Council direct election campaign activities. It often delivers prodemocracy comments.

In addition, the Association of University and College Graduates (Macao), the Macao Social Sciences Society, the office of He Siquan [0149 1835 6197], member of the Legislative Council, and other independent intellectual groups have all made contributions toward the promotion of democratic thought through propagation and exchange.

Since East Asia University is Macao's only, and still developing, university, Macao's college students and professors have not played the same prominent role as their counterpart elsewhere.

Although there is exchange of democratic thought in Macao, fighting for "direct election" symbolizes Hong Kong residents' democratic ideology. So far, Macao's mass organizations and elite intellectuals have not deliberately focused on a particular issue as expression of their democratic aspirations, even less have they come up with any kind of catchy slogan.

What is interesting is that the native-born Portuguese may turn out to be the underlying force that will fight for Macao's democratization. This suggestion is not without basis. In 1980, their political leaders brought before the Legislative Council a proposal to amend the "Macao Organic Charter." They advocated that instead of the present 35.3 percent, 66.67 percent of the members of the Legislative Council be elected directly. In addition, they wanted to bolster the legislative power of the council, thus curtailing the governor's administrative power.

Regrettably, what the native-born Portuguese fought for then was but Roman-style democracy for some. They did not feel that Macao's non-Portuguese citizens, who are the majority, deserved direct voting rights. In the end, they were isolated, neither the Chinese nor the Portuguese Government supported them, and Macao's Chinese community was not sympathetic to them. Their effort ended in failure.

Worth pointing out is that the native-born Portuguese will not become active supporters of the possible prodemocracy movement in Macao during this transition period. This is because as long as the Chinese are participating in elections and casting their votes, the native-born Portuguese candidates will be poison to the election, they will have zero chance of winning. The Chinese would rather not cast their votes than vote for a Portuguese. The reason is that life in a colony will not let the historic resentments between the two races be soon forgotten.

At this point, let us sum up our first observations. First, Macao's intellectual circles do not have the clear motive nor the cohesive force to use organized means to fight for democracy. Second, instead of uniting their respective democratic demands, the antagonism between the Chinese and the native-born Portuguese has become a divisive factor.

Furthermore, a popular view maintains that China's conservative attitude is the primary element that is suppressing Macao's democratic demands. Personally, I feel that this is not entirely correct. The fact is, neither Beijing nor Macao's XINHUA NEWS AGENCY (formerly Macao's Nanguan Company) has commented publicly on the democratic speeches delivered by Macao's intellectuals, nor have they hinted of their disapproval. On some public and private occasions, high-ranking XINHUA officials have even encouraged people to take an interest in and involve themselves with social affairs. Of course they have not actively suggested that people start a prodemocracy movement, but these attitudes cannot be construed as proof of their resentment or even rejection of Macao's democratic expressions.

We have reason to further suppose that Macao has not voiced a strong desire for democracy because there are more pressing problems in society and so democracy has become a lesser goal.

The people's livelihood and reform of the administrative organ, which is an integral part of the people's livelihood, have long been the most divisive issues in Macao. Ever since the huge influx of new immigrants from the mainland in 1979, Macao's low-income population as a percentage of her total population has soared. It is estimated that more than half the present population of 500,000 are new immigrants. Thus, the grassroots level basically has not shared the fruits of Macao's economic development of the last decade. The phenomenon of relative pauperization is very serious, and among the original residents, there is even a growing trend of absolute pauperization. It should not be difficult to understand that the people want some basic rights and guarantees in life and that these are the demands of the mainstream of society. A sample survey indicates that more than half of the people feel that education, personal identification, new immigrants, work, and the government-people relationship are among the most pressing issues. Housing, transportation, medical care, public security, and public undertakings are also of great concern to the people.

On the other hand, the Macao Government's administrative reform has not kept pace to resolve the series of social issues. This is due to a combination of its traditional low efficiency, bureaucratic tendency, corruption, and abuse of power. The government has not actively promoted the legalization of Chinese as official language nor has it staffed the government with local people. These two issues have become the stumbling block to better communication between the people and the government, and the government is unable to serve society efficiently.

The 1988 Legislative Council direct election demonstrated how important the issues of the people's livelihood and the government's administrative reform are to the people. Three of the elected council members from the Independent Party were candidates who have long devoted themselves to these issues and have made social issues their election platform. Candidates who made democracy the issue turned out to be the losers. This is a further indication of why Macao has not yet had a prodemocracy movement.

Not only this, but because Chinese is not yet legalized as an official language, it has posed a technical problem for intellectuals to express their democratic opinions on local politics. With rare exceptions, almost all government communications are in Portuguese. This makes it impossible for Macao's intellectuals, who generally lack a working knowledge of Portuguese, to make any kind of professional comments about the government.

Hong Kong's democratic faction has criticized and pleaded with Beijing for the release of political prisoners. This, to a large extent, was triggered by Hong Kong's "direct election" issue. There is an objective, natural, logical relationship: Hong Kong residents want to have a fairly democratic political system under Chinese rule after 1997, and, therefore, they hope that Beijing will at least have a tolerant and open-minded attitude toward democracy. In other words, the Hong Kong people's sympathy for the mainland's prodemocracy movement is a part of their fight for their own interests. But Macao does not even have a prodemocracy movement to fight for democratization of the local political system, and it should be of no surprise that they are silent on the mainland's prodemocracy movement.

But the opportunity is there to hasten the birth of Macao's prodemocracy movement. The drafting of Macao's "Basic Law" and the consultative activities will begin soon, and the existing "Macao Organic Charter" too will face revision. These events offer an opportune time for Macao's prodemocracy activists to press for democratization of the political system.

The attitude of the Chinese and Portuguese Governments toward Macao's possible prodemocracy demands will no doubt affect the development of a prodemocracy movement in Macao.

Portugal will probably not be enthusiastic about it. First, if we look at the legislative body, a further democratized election system of Macao's Legislative Council will not benefit Portugal. As long as racial conflict dominates the situation and as long as candidates of Chinese origin are monopolizing the votes, the idea of increasing the percentage of elected council members simply will not be attractive to the Portuguese. Second, if the administrative body is indeed democratized, it will only curtail the governor's existing administrative power, and pressure on the government to speed up the opening of government posts to the Chinese will mount. All these will undermine Portugal's governing role in Macao during the transition period.

China may be less rigid. In theory, the bottom line of China's future rule over Macao, as in Hong Kong, is mainly to administer the region. China will emphasize administration to carry out political assimilation. But even so, because Macao's existing political system is more democratic than Hong Kong's, they may not be inflexible, and if the democratization of the political systems in Hong Kong and Macao proceeds at about the same rate, it is possible that Macao will become more democratic than Hong Kong. Although China will not actively pursue this end, there may be subtle differences in China's current policies toward Hong Kong and toward Macao.

There is a distinct difference between Macao and Hong Kong, and that is that the people of Macao have almost completely insulated themselves from sociopolitical affairs, and how to achieve "one nation, two systems" has become somewhat of a problem. So, it is my view that in the void before we reach the real bottom line of China's democratization of Macao, there is much that Macao's prodemocracy movement—if there is one—can accomplish.

No matter what happens, the rise of Macao's prodemocracy movement will, in essence, depend on whether the demand for democracy has matured in Macao's society, how intellectuals assess the political situation, and how eager individuals are to participate in government affairs. In my observation, it may be rash to assert that Macao is not ready for the movement, but this does not stop us from pointing out that on the eve of the birth of Macao's prodemocracy movement, the prodemocracy activists must learn to cooperate with one another, they must carefully deliberate goals and strategies, they must find a charismatic leader.

#### **Japan Invests Heavily in Hong Kong Economy**

HK 1308065289 Hong Kong SOUTH CHINA MORNING POST (SUNDAY SPECTRUM) in English 13 Aug 89 p 1

[By Taryn Man]

[Text] Statistics from Japan's Finance Ministry show that direct investment in Hong Kong amounted to U.S.\$4.505 billion (HK\$35.05 billion) on a cumulative basis as of last year, with an annual increase of 4.1 times.

"The nature and size of our investments here make it very difficult for us to withdraw our assets from Hong Kong even if they start hunting us down," said a spokesman from the Japanese Chamber of Commerce.

When the first post-war Japanese Consulate was established in 1952, two-way trade accounted for only \$606 million.

Today, bilateral trade has increased to about \$9.2 billion, making Japan the territory's third largest trading partner.

More than 1,400 Japanese companies are involved in practically all sectors of the Hong Kong economy, with the number of banks, securities companies and insurance companies having grown dramatically in the past four years.

Japanese financial institutions account for about 46 percent of all the assets held by local and foreign banks in the territory.

Japan also plays a major role in Hong Kong's manufacturing industry. Hong Kong Government statistics show that 134 companies have been established through Japanese investment. Japan's total investment in this field, \$4 billion, accounts for more than 20 percent of total foreign investment.

Traditionally, Hong Kong has always had a trade deficit with Japan, as the one-way trade pattern has been based on imports of capital equipment to Hong Kong. And, with the rapid appreciation of the yen, Japanese firms are finding it increasingly attractive to invest in the territory.

#### **Cable TV Commitment 'Vote of Confidence' in Future**

HK 0208020989 Hong Kong HONGKONG STANDARD in English 2 Aug 89 p 1

[Text] Business analysts yesterday said the commitment shown by the bidders for the cable television franchise was a vote of confidence on Hong Kong's future.

The multi-billion-dollar contract to develop Hong Kong's first cable TV network which went to Hong Kong Cable Communications yesterday, will require an investment of \$9.5 billion to \$16.5 billion over 10 years.

And the successful franchise holder cannot expect to get a return on its investment until the mid-1990s at the earliest.

"It will certainly boost confidence in Hong Kong," said Mr Larry Tam, executive director with Sun Hung Kai Securities.

"It shows that companies have a long-term commitment to the territory."

Mansion House Securities' research director Mr Philip Chan said the successful cable TV bidder would have to be patient before it reaped the rewards for its substantial investment.

"The cable TV is a safe investment, but it's not absolutely sure-fire and the benefits are not immediate, so it's really not for those who don't have confidence in Hong Kong after 1997," Mr Chan said.

Mr Howard Gorges, of South China Securities, said that having another major investment committed in Hong Kong would give the territory the much-needed boost in confidence after the Tiananmen Square massacre in Beijing on June 4.

"Nobody really knows how good a business cable TV will be in Hong Kong so it is difficult to forecast returns," Mr Gorges said.

"I think it's really a major commitment."

The research manager for Darter Asia, Mr Lawrence Amerine, said considering that big local players and overseas parties had bid for the franchise was a demonstration of the international business community's continued interest in prospects in Hong Kong.

### **Hong Kong To Increase Thai Rice Purchases**

*BK2307084389 Bangkok Voice of Free Asia in English  
1500 GMT 21 Jul 89*

[Text] Hong Kong will buy more rice from Thailand as China has suspended rice shipments to the territory following its strong criticism of Beijing's crackdown on civilian demonstrators at Tiananmen Square last month, an informed source said yesterday.

According to the source, the Rice Importers Association of Hong Kong had written to Commerce Minister Subin Pinkhayan, inviting him to the territory for negotiations between 9 and 11 August. The association apparently

wants to negotiate for rice shipments next year and to increase this year's rice imports from the earlier quota of 200,000 tons.

Criticism of the Chinese Army's savage suppression of the protest movement by residents of the British colony has irked Beijing and caused relations to deteriorate. Consequently, Hong Kong had turned to Australia and Thailand for rice. The source added that the rice price this year remains high and Thai exports are increasing in view of strong overseas demand, prompting Hong Kong to invite the minister for talks so that its supplies are secured.

Meanwhile, the Rice Exporters Association agreed to take over the Commerce Ministry's 100,000-ton rice contract with India during a meeting on Wednesday. The association will ask the ministry to transfer rice to exporters according to the 60 percent of the previous year's export performance and 40 percent stocks ration. Exporters said they would not suffer a loss as most had enough rice in their stock.

The ministry decided to transfer government-to-government rice contracts to exporters when local rice prices soared to the extent that it would suffer losses if it had to buy rice from exporters to fulfill its commitments.

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